

FOREIGN OPERATIONS, EXPORT FINANCING,  
AND RELATED PROGRAMS APPROPRIATIONS  
FOR 1996

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COMMITTEE OF THE  
COMMITTEE ON APPROPRIATIONS  
HOUSE OF REPRESENTATIVES  
ONE HUNDRED FOURTH CONGRESS  
FIRST SESSION

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RELATED PROGRAMS

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PART 1

JUSTIFICATION OF BUDGET ESTIMATES

	Page
Country Summary Tables .....	1
Export-Import Bank .....	55
Overseas Private Investment Corporation .....	71
United States Trade and Development Agency .....	85
Department of Treasury: International Financial Institutions .....	133
Department of State:	
Foreign Operations Programs .....	229
International Narcotics and Law Enforcement Affairs .....	775
Peace Corps .....	865
Agency for International Development .....	1043
African Development Foundation .....	1759
Inter-American Foundation .....	1791



# FOREIGN OPERATIONS, EXPORT FINANCING, AND RELATED PROGRAMS APPROPRIATIONS FOR 1996

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## HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

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**U.S. AGENCY FOR  
INTERNATIONAL DEVELOPMENT**

**Congressional Presentation  
SUMMARY TABLES  
Fiscal Year 1996**



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## TABLE OF CONTENTS

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	Page Number
Explanation of Tables .....	1
International Affairs Budget Authority Tracker - FYs 1994-1996	
Budget Function 150 Summary (Table 1) .....	4
Budget Authority by Account (Table 2) .....	5
USAID Program Trends: FYs 1993-1996 (Table 3) .....	9
U.S. Economic and Military Assistance ("All Spigots" Tables) - Appropriations	
FY 1994 (Table 4A) .....	10
FY 1995 (Table 4B) .....	16
FY 1996 - Request (Table 4C) .....	22
U.S. Economic and Military Assistance ("All Spigots" Tables) - Obligations	
FY 1994 Actuals (Table 5A) .....	28
FY 1995 Estimates (Table 5B) .....	35
International Organizations and Programs (Table 6) .....	42
P.L. 480 Food for Peace - FYs 1994-1996	
Title III (Table 7A) .....	43
Title II (Table 7B) .....	44

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## EXPLANATION OF TABLES

## Overview

The tables in this booklet illustrate the foreign assistance budget request for FY 1996, which is a part of the President's Budget. The tables also include budget levels for FY 1994 and FY 1995 for comparison and, in Table 3, FY 1993. The levels for FYs 1994 and 1995 are based on the FY 1994 and FY 1995 appropriations acts and also reflect enacted rescissions. A proposed FY 1995 supplemental is reflected in Table 1 only.

The U.S. Agency for International Development (USAID) administers certain U.S. bilateral assistance programs including Development Assistance (DA), which includes the Development Assistance Fund, the Development Fund For Africa, other specialized DA accounts for credit programs and disaster assistance; the Economic Support Fund (ESF); programs for Central and Eastern Europe under the Support for East European Democracy Act (SEED); the New Independent States of the former Soviet Union (NIS) under the Freedom Support Act; and Food For Peace Titles II and III (P.L. 480). The tables follow USAID funding from the overall account summaries to the individual country program levels. There are differences between some of the tables because of the alternative budget concepts being presented.

Each table describes funding from one of several approaches. New budget authority (also referred to as new obligational authority or NOA) refers to the funding levels appropriated by Congress in a given year after certain legislatively mandated transfers or rescissions. For the actual results of the prior year, total budget authority (BA) refers to the new budget authority plus reappropriations (such as deobligations and reobligations) and transfers. The program level (or obligation level) is the same as the total BA plus obligations of unobligated balances carried over from prior years less unobligated balances carried into subsequent years. Funds appropriated are not always obligated within the same year if they are available for more than one year.

Table 1 and tables 4a and 4b reflect actual budget authority for FYs 1994 and 1995. Table 3 and tables 5a and 5b reflect program or obligation levels for FYs 1994 and 1995.

Amounts shown for FY 1996 represent proposed new budget authority on all tables and assume no unobligated balances from prior years.

## International Affairs Budget Authority Tracker - FYs 1994-1996

Budget Function 150 Summary (Table 1)

The International Affairs budget function "150 Account" is the portion of the President's Budget which pertains to International Affairs. Table 1 shows the budget authority for subfunctions of the 150 account for FY 1994 and FY 1995, and the request for FY 1996. Subfunction 151, International Development and Humanitarian Assistance, includes multilateral and bilateral assistance for Development Assistance and P.L. 480 food assistance. Programs under subfunction 152, International Security Assistance, help countries of strategic importance to the United States through Military Assistance and the Economic Support Fund (ESF). Subfunction 153, Conduct of Foreign Affairs, relates principally the operations of the State Department. Subfunction 154, Foreign Information and Exchange Activities, pertains to the operations of the U.S. Information Agency, the Board for International Broadcasting, and other public information activities. Subfunction 155, International Financial Programs, provides funding for the Export-Import Bank and

the Foreign Military Sales Trust Fund. The 150 account is under the direction of the Secretary of State.

Budget Authority by Account (Table 2)

Programs and activities within the International Affairs 150 Account fall under the jurisdiction of three appropriation subcommittees. Table 2 shows the 150 account subdivided according to subcommittee jurisdiction (Foreign Operations, Agriculture, and Commerce/Justice/State) for FYs 1994 through 1996.

- o Foreign Operations contains most of the programs under subfunction 151 (International Development and Humanitarian Assistance) including USAID-administered DA and humanitarian assistance, and subfunction 152 (International Security Assistance) including the USAID-administered ESF programs. Other programs in the Foreign Operations classification include multilateral assistance, other bilateral assistance agencies such as the Trade and Development Agency, the Peace Corps, and the African Development Foundation, plus military assistance, and Export-Import Bank contributions.
- o The Agriculture portion of the 150 Account refers principally to the food assistance provided under P.L. 480 (subfunction 151) which is appropriated to the U.S. Department of Agriculture (USDA), but, in the case of Title II and Title III programs, is managed by USAID.
- o The Commerce/Justice/State portion of the budget reflects Department of State administrative operations (Subfunction 153), the operations of the United States Information Agency (USIA) and other public information programs, and assessed contributions to international organizations (subfunction 154).
- o The Mandatory portion of the budget includes receipts and certain reconciling items such as trust funds which are outside the responsibility of the appropriations committees.

Table 2 shows total budget authority levels for both FYs 1994 and 1995 and the request level for FY 1996. The total for the 150 account is the same as that indicated for Table 1.

USAID Program Trends: FYs 1993-1996 (Table 3)

This table compares obligations (program levels) for all USAID-administered accounts for FYs 1993 through FY 1996. In any given year the program level varies from the new budget authority shown on other budget tables (see explanation in overview).

"All Spigots" - U.S. Economic and Military Assistance Levels Appropriated Levels: FYs 1994-1996 (Tables 4A, 4B and 4C)

There are two sets of "all spigots" tables: One set (Tables 4A, 4B and 4C) shows appropriated levels for FYs 1994 and 1995 and the requested appropriations for FY 1996; the other set reflects the program levels for FYs 1994 and 1995.

The appropriations tables show the levels by bureau and country for DA, ESF, SAI, NIS, Peace Corps, Narcotics, PL 480, and Military Assistance accounts.

Appropriated levels are those enacted by the Congress and do not include carryover amounts, transfers or funds available under the deobligation/reobligation authority.

**NOTE:** For FYs 1995 and 1996, country totals include, for USAID-managed programs, attributions from regional or central funds. Affected regional or central programs will show a decrease from prior year funds due to these attributions.

**"All Spigots" - U.S. Economic and Military Assistance Levels- Program (Obligation) Levels: FY 1994 (actuals) and FY 1995 (estimates) - (Tables 5A and 5B)**

These "All-Spigots" tables show the program level (obligations) by bureau and country for DA, ESF, SAI, and NIS. The Peace Corps, Narcotics, PL 480, and Military Assistance data, however, is the same as in the appropriation spigots.

The FY 1995 program level on Table 5 equals the funds available for obligation on the FY 1995 program trends table 3. Table 5 represents new budget authority plus any country allocations of prior year funds which are known at this time. (Not all of the unobligated prior year funds are allocated to specific countries at this time). Table 5 FY 1995 allocations change until the year's obligations are finalized at the end of the fiscal year.

The program level tables for FY 1994 and FY 1995 are included because the obligated level is considered to be the most complete picture of assistance actually provided to a particular recipient in a given year.

**NOTE:** Country totals for FYs 1995-1996 include, for USAID-managed programs, attributions from regional or central funds for programs that can be directly attributed to a particular country. Affected regional or central programs will show a decrease from prior years due to these attributions.

#### **International Organizations and Programs (IO&P) (Table 6)**

USAID cooperates with the Department of State on the planning and monitoring of voluntary contributions to the United Nations and other international organizations. Table 6 shows the BA funding levels for FYs 1994-1995 and the request level for FY 1996 for the International Organizations and Programs. The table, which is also presented in the FY 1996 Department of State Congressional Presentation, breaks out IO&P funding by the categories of Building Democracy and the four sustainable development themes. These contributions are different from the assessed contributions to the United Nations which are included under subfunction 153.

#### **P.L. 480 Spigots - Titles II and III Program Levels (Tables 7A and 7B)**

USAID is responsible for the administration and implementation of P.L. 480 Titles II and III. Table 7A (Title III) and Table 7B (Title II) show actual program levels for FY 1994, estimated levels for FY 1995 and the FY 1996 request for transport, voluntary agencies (Volags), the World Food Program (WFP), and the International Emergency Food Reserve (IEFR). Tables for Title II programs are broken out into two sections. The first section reflects funding at the country level. The second section reflects tonnage amounts.

TABLE I  
INTERNATIONAL AFFAIRS (\$ Thousands)  
BUDGET AUTHORITY

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
<b>FUNCTION 151</b>	<b>7,699,060</b>	<b>7,653,091</b>	<b>8,034,396</b>
MDBs/IO&P	1,737,488	2,201,895	2,628,865
A.I.D.	4,264,681	3,947,032	4,113,765
EAI	181,000	357,000	142,000
P.L. 480	1,444,505	1,109,800	995,703
OTHER	635,478	813,267	714,563
RECEIPTS	(564,091)	(575,900)	(560,500)
<b>FUNCTION 152</b>	<b>4,521,514</b>	<b>4,792,414</b>	<b>5,181,868</b>
ESF	2,107,403	2,450,900	2,494,300
FMF	3,094,656	3,199,196	3,351,908
FMF liquidating account	(255,331)	(456,803)	(238,919)
OTHER	129,491	164,944	179,781
RECEIPTS	(544,705)	(565,823)	(655,382)
<b>SUBTOTAL 151+152</b>	<b>12,230,574</b>	<b>12,645,508</b>	<b>13,166,084</b>
<b>FUNCTION 153</b>	<b>4,629,388</b>	<b>4,704,674</b>	<b>4,189,549</b>
A.I.D. FSRDF	44,151	45,118	43,914
OTHER	4,585,237	4,749,456	4,145,635
<b>FUNCTION 154</b>	<b>1,495,520</b>	<b>1,434,710</b>	<b>1,313,139</b>
<b>FUNCTION 155</b>	<b>(600,583)</b>	<b>530,374</b>	<b>(114,812)</b>
EX-IM	(166,532)	(228,738)	136,354
OTHER	(434,051)	759,112	(250,966)
<b>TOTAL 150.....</b>	<b>17,754,899</b>	<b>19,405,166</b>	<b>18,523,460</b>

TABLE 2  
INTERNATIONAL AFFAIRS (\$ Thousands)  
BUDGET AUTHORITY

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
<b>MULTILATERAL ASSISTANCE</b>			
Inter-American Dev. Bank	56,166	28,112	25,952
Fund for Special Operations	20,164	21,338	20,835
Inter-American Investment Corp	—	190	—
Subtotal: IADB	76,330	49,640	46,787
World Bank (IBRD)	27,910	23,009	28,190
Global Environment Facility	[30,000]	90,000	110,000
International Finance Corp.	35,782	68,743	67,556
International Development Association	1,024,332	1,235,000	1,368,168
Asian Development Fund/Bank	75,528	167,960	317,751
African Development Fund	135,000	124,229	127,247
African Development Bank	—	133	—
North American Development Bank	—	—	56,250
European Development Bank	—	69,180	81,916
Subtotal: MDBs	1,374,860	1,827,895	2,203,865
IO & P (Voluntary Contrib.)	362,628	374,000	425,000
<b>TOTAL: MULTILATERAL ASSISTANCE</b>	<b>1,737,488</b>	<b>2,201,895</b>	<b>2,628,658</b>

TABLE 2  
INTERNATIONAL AFFAIRS (\$ Thousands)  
BUDGET AUTHORITY

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
<b>BILATERAL ASSISTANCE - USAID</b>			
Development Programs	861,500	853,000	1,300,000
Population	392,000	450,000	—
FY 1995 Haiti supplemental	—	18,000	—
Procurement reform	—	(1,598)	—
Deob/reob authority	(107,708)	—	—
Total: Functional Development Asst.	1,145,795	1,319,402	1,300,000
Development Fund for Africa	784,000	802,000	802,000
Private Sector Investment Limitation	[25,000]	—	—
Micro & Sm. Enterprise Dvlpt. Guaranty Subsidy	1,000	1,500	1,800
Micro & Sm. Enterprise Dvlpt. Direct Loan Subsidy	—	—	200
Enhanced Credit Program Guaranty Subsidy	—	—	10,000
MSED/ECP Administration	—	500	2,500
International Disaster Assistance	165,985	169,998	200,000
Housing Guaranties Limitation	[110,000]	—	—
Housing Guaranty Liquidating Account	[47,700]	[7,316]	[-3,225]
Housing Guaranty Loan Subsidy	16,078	19,300	16,780
Housing Guaranty Administration	8,239	8,000	7,240
Foreign Service Retirement & Dis.	44,151	45,118	43,914
Operating Expenses	518,697	517,527	529,027
Operating Expenses - IG	39,118	39,118	39,118
Subtotal: Development Assistance	2,723,063	2,922,463	2,952,559
Economic Support Fund	2,368,412	2,349,000	2,494,300
International Fund for Ireland	—	19,600	—
FY 1995 Haiti supplemental	—	82,300	—
Deob/reob authority	(261,009)	—	—
Economic Support Fund Total	2,107,403	2,450,900	2,494,300
Special Assistance Initiatives - Eastern Europe	383,000	359,000	480,000
Assistance for the New Independent States of the	1,153,885	719,400	786,000
Subtotal: USAID	6,367,351	6,461,783	6,714,859

TABLE 2  
INTERNATIONAL AFFAIRS (\$ Thousands)  
BUDGET AUTHORITY

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
Trade & Development Agency	65,000	61,986	67,000
Peacekeeping Operations	82,435	102,200	100,000
Non-Proliferation & Disarmament Fund	10,000	10,000	25,000
International Narcotics Control	101,000	105,000	213,000
Inter-American Foundation	30,960	30,960	31,760
African Development Foundation	16,905	16,905	17,405
Peace Corps	232,245	231,345	234,000
Migration & Refugee Assistance	670,728	671,000	671,000
Emergency Refugee & Migration Fund	79,261	50,000	50,000
Anti-Terrorism Assistance	15,244	15,244	15,000
Overseas Priv. Invest. Corp (OPIC)			
Loan Subsidy & Admin Expenses	84,583	106,944	95,000
(Limitation on direct loans)	[15,529]		
(Limitation on Guar. Loans)	[375,027]		
Non-credit activities	(154,546)		(191,500)
<b>TOTAL BILATERAL ASSISTANCE</b>	<b>7,801,160</b>	<b>7,604,810</b>	<b>8,042,524</b>
<b>MILITARY ASSISTANCE</b>			
Military to Military Contact	—	12,000	—
Military Assistance Program	(438)	—	—
Int'l Military Education & Training	22,250	25,500	39,781
Special Defense Acquisition Fund	(268,000)	(262,000)	(220,000)
Foreign Military Financing	3,094,656	3,199,196	3,351,908
Grants and Administration	[3,149,279]	[3,151,279]	[3,262,020]
Loan Subsidy and Admin Expenses	[38,118]	[47,917]	[89,888]
<b>TOTAL: MILITARY ASSISTANCE BA</b>	<b>2,850,468</b>	<b>2,954,696</b>	<b>3,171,689</b>
<b>EXPORT-IMPORT BANK</b>			
Subsidy and Admin	1,019,168	784,174	780,354
Limitation on Direct Loans	[3,028,000]	[4,567,000]	[5,498,718]
(Limitation on Guaranteed Loans)	[7,602,000]	[9,600,000]	[12,389,175]
<b>IMF, Enhanced Structural Adjustment Facility</b>	<b>—</b>	<b>25,000</b>	<b>25,000</b>
<b>Enterprise for the Americas Initiative</b>			
Debt Restructuring	106,000	282,000	42,000
Multilateral Investment Fund	75,000	75,000	100,000
<b>TOTAL FOREIGN OPERATIONS SUBCOMMITTEE</b>	<b>13,359,229</b>	<b>14,007,561</b>	<b>14,750,432</b>
<b>AGRICULTURE SUBCOMMITTEE</b>			
<b>P.L. 480</b>			
Title I transportation, grant	38,327	29,000	16,417
Title II grants	880,170	821,100	795,703
Title III grants	232,983	64,942	50,000
Title I Loan subsidy & admin	293,025	194,758	133,583
Title I Program Level	[377,209]	[302,578]	[161,540]
<b>TOTAL: AGRICULTURE SUBCOMMITTEE</b>	<b>1,444,505</b>	<b>1,109,800</b>	<b>995,703</b>
<b>CONDUCT OF FOREIGN AFFAIRS (153)</b>	<b>4,585,237</b>	<b>4,749,456</b>	<b>4,114,935</b>
(Unassigned to Approp Committee)	(297,523)	(314,127)	(309,701)
<b>FOREIGN INFO &amp; EXCHANGE ACT. (154)</b>	<b>1,495,520</b>	<b>1,434,710</b>	<b>1,313,139</b>
(Unassigned to Approp Committee)	1,451	(444)	1,562
<b>TOTAL: APPROPRIATIONS COMMITTEE</b>	<b>21,210,823</b>	<b>21,816,118</b>	<b>21,522,348</b>

TABLE 2

INTERNATIONAL AFFAIRS (\$ Thousands)  
BUDGET AUTHORITY

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
<b>SUBFUNCTIONS 151,152,155 MANDATORIES</b>	<b>(3,159,652</b>	<b>(1,896,381</b>	<b>(2,690,749</b>
Economic Asst Loan Liquidating Acct	—	(21,502)	(65,128)
Misc. Trust Funds - A.I.D.	1,184	5,500	5,500
Misc. Trust Funds - Peace Corps	734	756	779
North American Development Bank	—	58,250	—
Housing Guaranty Liquidating Account	47,700	7,316	(3,225)
Housing Guaranty subsidy reestimate	—	(2,443)	—
PSIP subsidy reestimate	—	(98)	—
EAI subsidy reestimate	—	—	—
Israeli loan guaranty pmt to OE	—	(27)	(27)
Misc. Trust Funds Receipts - DOT	(195)	(505)	(505)
Misc. Trust Funds Receipts - A.I.D.	(1,183)	(5,495)	(5,495)
A.I.D. Loan Repayments	(539,838)	(547,000)	(531,600)
Foreign Currency Loan Repayments	(22,875)	(22,900)	(22,900)
P.L. 480 Liquidating Acct	(505,696)	(504,515)	(473,881)
P.L. 480 Food for Progress	—	63,598	—
P.L. 480 loans subsidy reestimate	14,304	74,110	—
FMF Receipts	(544,705)	(565,823)	(655,382)
FMF liquidating account (pre-92, GRF)	(255,331)	(456,803)	(238,919)
FMF - Contract Authority	12,969,580	14,470,000	13,420,000
FMF - Liquidation of contract auth.	(13,035,780)	(13,350,000)	(13,370,000)
Ex-Im Liquidating Account	(1,158,200)	(937,312)	(644,000)
Ex-Im subsidy reestimate	(27,500)	(75,600)	—
Treasury Loan Repayment (U.K.)	(101,851)	(103,888)	(105,966)
<b>TOTAL INTERNATIONAL AFFAIRS</b>	<b>17,754,899</b>	<b>19,405,166</b>	<b>18,523,460</b>

Table 3

**AGENCY FOR INTERNATIONAL DEVELOPMENT**  
**PROGRAM TRENDS: FY 1993 - FY 1996**  
**(Obligations in Thousands of Dollars)**

	FY 1993 ACTUAL	FY 1994 ACTUAL	FY 1995 ESTIMATE	FY 1996 REQUEST
Development Programs	1,463,424	1,127,848	1,448,824	1,300,000
FY 1995 Supplemental Request	--	--	18,000	--
<b>Total Development Assistance</b>	<b>1,463,424</b>	<b>1,127,848</b>	<b>1,466,824</b>	<b>1,300,000</b>
Sahel Development Program	8,226	8,076	1,588	--
Development Fund for Africa	800,374	838,609	886,559	802,000
<b>SUBTOTAL, Geographic &amp; Central Programs</b>	<b>2,272,024</b>	<b>1,974,533</b>	<b>2,354,971</b>	<b>2,102,000</b>
American Schools & Hospitals Abroad	30,000	--	--	--
International Disaster Assistance	74,097	151,786	202,121	200,000
African Disaster Assistance	98,936	952	163	--
Private Sector Investment Prg (PSIP)	[21,000]	--	--	--
Private Sector Revolving Fund Liquidating	-- 1/	231	205	195
PSIP Subsidy/Admin Expenses	1,870	--	--	--
Enhanced Credit Program Subsidy/Admin Ex	--	--	--	12,000
Housing Guaranties Subsidy/Admin	30,322	23,024	27,300	24,000
Housing Guaranties Loan Limitation	[120,000]	--	--	--
Housing Guaranties Liquidating Account	67,234	67,007	7,316	(3,225)
Enterprise for the Americas	46,260	--	--	--
Advanced Acq. of Property	93	25	100	100
<b>SUBTOTAL, DA Program Funds</b>	<b>2,620,836</b>	<b>2,218,744</b>	<b>2,594,234</b>	<b>2,337,570</b>
Operating Expenses	528,528	516,604	539,453	529,000
Oper. Exp. - Inspector General	39,149	38,773	39,118	39,118
Foreign Service Retirement & Dis	42,677	44,151	45,118	43,914
<b>TOTAL, A.I.D. Development Assistance</b>	<b>3,231,190</b>	<b>2,818,272</b>	<b>3,217,923</b>	<b>2,949,602</b>
Economic Support Fund	2,857,275	2,166,906	2,882,376	2,494,300
FY 1995 Supplemental Request	--	--	82,300	--
<b>Total Economic Support Fund</b>	<b>2,857,275</b>	<b>2,166,906</b>	<b>2,964,676</b>	<b>2,494,300</b>
Special Assistance Initiatives	277,635	487,251	472,611	480,000
Philippines	[40,000]	[10,000]	--	--
Eastern Europe	[237,635]	[477,251]	[472,611]	[480,000]
Assistance for the New Independent States of the Former Soviet Union	375,906	1,490,451	1,027,601	788,000
Central American Reconciliation Asst..	94	--	--	--
Demobilization and Transition Fund	34,750	--	16,907	--
<b>TOTAL, A.I.D. ECONOMIC ASSISTANCE</b>	<b>6,776,850</b>	<b>6,962,880</b>	<b>7,699,718</b>	<b>6,711,902</b>

1/ Funded from Private Sector Revolving Fund reflows.

Table 4A

**FY 1994 U.S. ECONOMIC & MILITARY ASSISTANCE - ACTUAL APPROPRIATIONS**

	(DOLLARS THOUSANDS)										TOTAL			
	DA	ESF	PL 480	TITLE II	TITLE III	NARCS	PEACE	OTHER	ECON	LOANS		FMF	Grants	IMET
<b>BILATERAL ASSISTANCE SUMMARY</b>														
Africa	690,297	14,000	467,724	86,350	86,350	—	62,795	—	—	—	485	4,021	—	1,325,672
Asia & Near East	289,407	2,095,881	189,041	69,815	69,815	8,400	25,176	3,000	—	—	3,109,000	6,033	—	5,785,754
Europe & NIS	25,378	139,977	95,661	—	—	400	26,365	936,899	—	—	—	6,757	—	1,231,227
Latin America & Caribbean	268,240	113,235	178,011	82,918	82,918	53,200	33,889	—	—	—	12,227	5,074	—	746,795
Central PL 480	—	—	(108,867)	16,000	16,000	—	—	—	—	—	—	—	—	(82,867)
Global Programs, Field Support & Research	589,939	300	—	—	—	—	—	11,137	—	—	—	—	—	601,376
Humanitarian Response	70,732	—	—	—	—	—	—	1,000	—	—	—	—	—	71,732
Policy Directorates	7,185	—	—	—	—	—	—	—	—	—	—	—	—	7,185
Other	66,321	1,168	—	—	—	39,000	84,020	41,994	—	—	23,558	364	—	284,543
Geographic & Central Programs	2,007,500	2,364,562	821,570	255,083	101,000	232,245	993,620	38,118	3,145,270	22,250	—	—	—	9,881,417
(Africa Fund)	—	(26,018)	—	—	—	—	—	—	—	—	—	—	—	(26,018)
(Andean Narcotics Init.)	(109,118)	(26,360)	—	(22,100)	—	—	(55,000)	—	(91,262)	—	—	—	—	(280,738)
Rescissions	30,000	3,850	58,600	—	—	—	—	598,065	—	—	—	—	—	(688,715)
Transfers	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Reappropriation	1,413	3,341	—	—	—	—	—	—	—	—	—	—	—	4,754
Subtotal	1,929,795	2,107,403	880,170	232,983	101,000	232,245	1,536,885	38,118	3,053,988	22,250	—	—	—	10,134,836
International Disaster Assistance	165,985	—	—	—	—	—	—	—	—	—	—	—	—	165,985
Housing Credit Subsidy	16,078	—	—	—	—	—	—	—	—	—	—	—	—	16,078
Housing Admin	8,239	—	—	—	—	—	—	—	—	—	—	—	—	8,239
Housing Guaranty Liquidating	47,700	—	—	—	—	—	—	—	—	—	—	—	—	47,700
MISED Credit Subsidy	1,000	—	—	—	—	—	—	—	—	—	—	—	—	1,000
Operating Expenses	518,897	—	—	—	—	—	—	—	—	—	—	—	—	518,897
Operating Expenses - I.G.	39,118	—	—	—	—	—	—	—	—	—	—	—	—	39,118
Foreign Services Retirement	44,151	—	—	—	—	—	—	—	—	—	—	—	—	44,151
Total Misc. Trust Funds	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Misc. Trust Funds	1,183	—	—	—	—	—	—	—	—	—	—	—	—	1,183
Misc. Trust Fund Receipts	(1,183)	—	—	—	—	—	—	—	—	—	—	—	—	(1,183)
A.I.D. Loan Repayments	(539,838)	—	—	—	—	—	—	—	—	—	—	—	—	(539,838)
Total USAID	2,230,925	2,107,403	880,170	232,983	101,000	232,245	1,536,885	38,118	3,056,488	22,250	—	—	—	6,988,366
Other Bilateral Assistance 1)	—	—	—	—	—	—	—	—	—	—	—	—	—	—
TOTAL: BILATERAL	2,230,925	2,107,403	880,170	232,983	101,000	232,979	1,536,885	38,118	3,056,488	22,250	—	—	—	6,988,366
<b>MULTILATERAL ASSISTANCE</b>														
MIPS	—	—	—	—	—	—	—	—	—	—	—	—	—	—
IOB P	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total	—	—	—	—	—	—	—	—	—	—	—	—	—	—
TOTAL: MULTILATERAL	—	—	—	—	—	—	—	—	—	—	—	—	—	—
TOTAL ECONOMIC ASSISTANCE	2,230,925	2,107,403	880,170	232,983	101,000	232,979	1,536,885	38,118	3,056,488	22,250	—	—	—	9,956,295
<b>TOTAL MILITARY ASSISTANCE</b>														
Bilateral	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other 2)	—	—	—	—	—	—	—	—	—	—	—	—	—	—
TOTAL: MILITARY	—	—	—	—	—	—	—	—	—	—	—	—	—	—
TOTAL ECONOMIC & MILITARY ASSISTANCE	2,230,925	2,107,403	880,170	232,983	101,000	232,979	1,536,885	38,118	3,056,488	22,250	—	—	—	10,537,189

1) See last page of this series of tables for details

## FY 1994 U.S. ECONOMIC &amp; MILITARY ASSISTANCE - ACTUAL APPROPRIATIONS

Table 4A

(DOLLARS THOUSANDS)

PL 480--

PEACE CORPS

NARCS

TITLE III

ESF

DA

TITLE II

NARCS

OTHER ECON

FMF Loans

FMF Grants

IMET

Other Military

TOTAL

AFRICA	DA	ESF	TITLE III	NARCS	PEACE CORPS	OTHER ECON	FMF Loans	FMF Grants	IMET	Other Military	TOTAL
Angola		46,402									46,402
Benin	20,061	2,161			1,846				99		24,167
Burkina Faso	4,775	1,698			2,770				364		8,907
Burundi	4,487	8,911									11,408
Cameroon	200	40,302			180						44,979
Cape Verde	425	3,456			3,268				100		3,568
Central African Republic	2,316	86			1,030						4,911
Chad	4,950				1,810						4,212
Comoros		3,275			1,603				225		10,053
Congo	700				777						777
Cote d'Ivoire					847				109		1,656
Djibouti		1,000			1,250				150		1,400
Eritrea	5,999	2,000							106		1,106
Ethiopia	32,474	24,863			277				82		33,221
Gabon		67,414	44,700					200	113		144,901
Gambia					3,377						3,377
Ghana	6,750	2,162			3,377						10,616
Guinea	32,135	8,311	8,300		1,604				100		52,930
Guinea-Bissau	18,470	2,720	9,000		2,720		285		229		28,786
Kenya	1,183	541			1,207				100		2,991
Lesotho	13,583	20,462			1,207				100		37,376
Liberia	2,072	3,381			3,043				288		8,112
Madagascar	3,742	56,356			2,659						60,138
Malawi	27,590	3,822			968						32,380
Mali	26,190	8,775			1,652				125		38,942
Mauritania	34,204	289			4,139				134		38,766
Mozambique		1,346			1,613						2,959
Namibia	33,300	15,966	15,000								67,366
Niger	16,115	3,979			2,239				220		10,259
Nigeria	7,800				3,087				200		23,381
Rwanda	5,893				1,047						8,940
Sao Tome & Principe		500			109				75		44,420
Senegal	300	44,236			641						1,845
Sierra Leone	23,790	204			3,419				450		27,359
South Africa					890						12,108
Sudan	468	10,750									25,149
Swaziland	8,341	16,808									53,777
Tanzania	80,673	3,000							104		86,330
Togo	6,256				1,387						7,643
Uganda	19,685				2,135						21,834
Zambia	8	3,284			2,527				114		5,819
Zimbabwe	32,862	500	9,350		1,253				126		46,207
Africa Regional	18,850	2,114			1,101				75		20,026
Southern Africa Reg /ISADCC	15,747				1,491				241		17,479
REDSO/E	116,112	2,900									119,012
REDSO/W	49,900										49,900
Total	2,000										2,000
	690,297										2,900
	14,000	467,724	86,350		62,795			485	4,021		1,325,672

FY 1984 U.S. ECONOMIC & MILITARY ASSISTANCE - ACTUAL APPROPRIATIONS

Table 4A

ASIA & NEAR EAST	(DOLLARS THOUSANDS)										TOTAL	
	DA	ESF	TITLE II	TITLE III	NARCS	PEACE CORPS	OTHER ECON	FMF Loans	FMF Grants	IMET		Other Military
Algeria	1,995									56		1,995
Bahrain	43,297		26,075	44,816						56		56
Bangladesh	13,175	14,861								182		114,370
Cambodia										122		28,158
China		814,930	9,647							800		2,125,377
Egypt												1,910
India	45,659		118,491							152		164,302
Indonesia	29,027	1,200,000	9,512									30,000
Israel												3,000,000
Jordan	4,000	8,000	242							800		23,042
Kuwait												21
Korea (South)					2,000					21		2,000
Lebanon	3,963	3,639								304		7,837
Malaysia										318		318
Marshall Islands												667
Micronesia												1,885
Mongolia	10,292		375							50		11,214
Morocco	14,600	2,971								528		20,975
Nepal	16,786									106		19,217
Oman					2,500					54		54
Pakistan			7,108									9,608
Papua New Guinea										50		1,902
Philippines	35,213		15,447							876		52,616
Singapore												16
Solomon Islands										8		1,082
South Pacific Islands		14,000								100		14,000
South Korea	12,200		433	24,989						895		38,636
Thailand	5,082				3,000					15		12,753
Tonga												1,037
Tunisia		985								500		3,136
Vanuatu										15		538
West Bank/Gaza	16,446	27,500	1,711									45,657
Westarm Somalia										15		1,278
Yemen	2,999											3,764
ASEAN	2,678											2,678
Asia Regional	22,948											23,848
S.E. Asia Contingency	6,040				900							6,040
Near East Regional	4,960	8,000										13,960
Total	289,407	2,095,881	189,041	69,815	8,400	25,176	3,000			6,033		5,795,754

FY 1994 U.S. ECONOMIC & MILITARY ASSISTANCE - ACTUAL APPROPRIATIONS

Table 4A

EUROPE & MISC (DOLLARS THOUSANDS)	PL 480		NARCS	PEACE CORPS	OTHER ECON	FMF Loans	FMF Grants	IMET	Other Military	TOTAL
	DA	ESF								
Albania				1,138				165		1,303
Armenia				1,060						1,060
Baltics				2,547						2,547
Bosnia-Herzegovina								100		100
Bulgaria		86,271								86,271
Croatia		8,367		1,167				300		1,467
Cyprus		14,999								14,999
Czech Republic				1,915				500		2,415
Estonia								152		152
Georgia								63		63
Greece				2,308		(283,500)		100		3,008
Hungary								700		700
Ireland	19,598			1,719				90		19,598
Kazakhstan				888						1,809
Kirghizistan								50		948
Latvia								195		195
Lithuania								150		150
Macedonia (Former Yugoslav Rep.)		5,000								5,000
Malta								18		18
Moldova				871				47		918
Norway				3,566				700		4,266
Poland						(81,000)		500		500
Portugal				1,331				312		1,643
Romania				2,672				471		3,143
Russia				1,004				296		1,300
Slovak Republic								113		1,136
Slovenia		1,023								49
Spain										121,684
Turkey	300	119,978		400		(405,000)		1,006		1,318
Turkmenistan				1,288				50		2,366
Ukraine				1,766				600		1,135
Uzbekistan				1,135						386,246
Eastern Europe Regional	4,650				381,596					20
Western Europe	830				555,083					555,923
N.I.S. Regional	25,378	139,977		400	936,889					1,231,227
Total				28,365				8,757		

**FY 1994 U.S. ECONOMIC & MILITARY ASSISTANCE - ACTUAL APPROPRIATIONS**

Table 4A

Other Military

IMET

FMF Grants

FMF Loans

OTHER ECON

PEACE CORPS

NARCS

TITLE III

TITLE II

ESF

DA

(DOLLARS THOUSANDS)

LATIN AMERICA &amp; CARIBBEAN

Argentina

The Bahamas

Belize

Bolivia

Brazil

Chile

Colombia

Costa Rica

Dominican Republic

Ecuador

El Salvador

Guatemala

Guyana

Haiti

Honduras

Jamaica

Mexico

Nicaragua

Panama

Paraguay

Peru

Trinidad/Tobago

Uruguay

Venezuela

Caribbean Regional

PACAMS

ROCAP

LAC Regional

Total

699

700

14,892

20,000

2,085

3,038

130

3,433

6,000

15,000

11,000

3,038

2,243

600

13,026

1,121

1,293

3,253

8,400

23,000

81,882

1,566

400

3,268

4,100

53,200

82,918

178,011

5,845

113,235

268,240

33,889

5,074

12,227

62,655

746,795

102

11

50

439

96

97

101

108

379

400

36

5

524

201

201

89

100

10

197

236

524

5

5,074

801

3,647

102,492

1,896

29,632

6,432

18,882

17,022

76,396

37,077

9,520

90,556

46,977

12,273

5,580

9,732

3,342

138,694

1,710

595

7,632

524

7,138

62,655

746,795



FY 1995 U.S. ECONOMIC & MILITARY ASSISTANCE - ACTUAL APPROPRIATIONS											Table 4B		
(DOLLARS THOUSANDS)													
BILATERAL ASSISTANCE SUMMARY													
	DA 1)	ESF	SAINIS	TITLE II	TITLE III	NARCS	PEACE CORPS	Other Econ	FMF Loans	FMF Grants	IMET	Other Military	TOTAL
Africa	822,457	7,400	--	254,563	48,000	--	60,539	--	--	--	5,130	--	1,198,089
Asia & Near East	336,004	2,144,700	--	154,025	7,500	7,400	26,957	--	3,107,300	8,285	--	--	5,794,171
Europe & NIS	7,278	80,350	1,202,000	22,438	--	--	27,114	--	1,000	7,770	--	--	1,348,351
Latin America & Caribbean	361,089	131,150	--	143,136	16,000	53,400	34,534	--	--	15,829	4,785	--	769,923
Central PL 480	426,280	--	--	246,938	(6,586)	--	--	--	--	--	--	--	240,382
Global Programs, Field Support & Rese	77,321	--	--	--	--	--	--	--	--	--	--	--	426,280
PHR	6,642	--	--	--	--	--	--	--	--	--	--	--	77,321
PRC	62,330	5,000	7,000	--	--	--	82,201	--	47,917	22,150	380	--	8,642
Other 2)	2,103,402	2,368,600	1,209,000	821,100	64,942	105,000	231,345	--	47,917	3,146,279	26,350	--	10,123,937
Geographic & Central Programs	(802,000)	--	--	--	--	--	--	--	--	--	--	--	(802,000)
(Africa Fund)	--	--	--	--	--	--	--	--	--	--	--	--	[15,750]
(Andean Narcotics Int.)	--	[15,750]	--	--	--	--	--	--	--	--	--	--	402,500
Supplementals	18,000	82,300	--	--	--	--	--	302,200	--	--	--	--	(130,600)
Transfers	--	--	(130,600)	--	--	--	--	--	--	--	--	--	--
Subtotal	2,121,402	2,450,900	1,078,400	821,100	64,942	105,000	231,345	302,200	47,917	3,146,279	26,350	--	10,395,837
International Disaster Assistance	169,998	--	--	--	--	--	--	--	--	--	--	--	169,998
Housing Credit Subsidy	19,300	--	--	--	--	--	--	--	--	--	--	--	19,300
Housing Admin	8,000	--	--	--	--	--	--	--	--	--	--	--	8,000
Housing Guaranty reestimate	(2,443)	--	--	--	--	--	--	--	--	--	--	--	(2,443)
Housing Guaranty Liquidating	7,316	--	--	--	--	--	--	--	--	--	--	--	7,316
MSED Credit Subsidy	1,500	--	--	--	--	--	--	--	--	--	--	--	1,500
MSED Admin.	500	--	--	--	--	--	--	--	--	--	--	--	500
MSED reestimate	(98)	--	--	--	--	--	--	--	--	--	--	--	(98)
Operating Expenses	517,500	--	--	--	--	--	--	--	--	--	--	--	517,500
Operating Expenses - I.G	39,118	--	--	--	--	--	--	--	--	--	--	--	39,118
Foreign Service Retirement	45,118	--	--	--	--	--	--	--	--	--	--	--	45,118
Total Misc. Trust Funds	5	--	--	--	--	--	--	--	--	--	--	--	5
Misc. Trust Funds	5,500	--	--	--	--	--	--	--	--	--	--	--	5,500
Econ. Assist. Loans Liquidating	(5,495)	--	--	--	--	--	--	--	--	--	--	--	(5,495)
A.I.D. Loan Repayments	(21,502)	--	--	--	--	--	--	--	--	--	--	--	(21,502)
Total USAID	2,358,714	2,450,900	1,078,400	821,100	64,942	--	--	--	--	--	--	--	6,774,056
Other Bilateral Assistance 2)	--	--	--	--	--	105,000	232,101	860,454	47,917	3,151,279	26,350	(1,010,626)	3,412,475
TOTAL: BILATERAL ASSISTANCE	2,358,714	2,450,900	1,078,400	821,100	64,942	105,000	232,101	1,162,654	47,917	3,151,279	26,350	(1,010,626)	10,488,731
MULTILATERAL ASSISTANCE													
IMR's	--	--	--	--	--	--	--	1,827,895	--	--	--	--	1,827,895
IO & P	--	--	--	--	--	--	--	374,000	--	--	--	--	374,000
TOTAL: MULTILATERAL	--	--	--	--	--	--	--	2,201,895	--	--	--	--	2,201,895
TOTAL ECONOMIC ASSISTANCE	2,358,714	2,450,900	1,078,400	821,100	64,942	105,000	232,101	3,364,549	--	--	--	--	10,475,706
MILITARY ASSISTANCE													
Bilateral	--	--	--	--	--	--	--	--	47,917	3,146,279	26,350	--	3,220,546
Other 2)	--	--	--	--	--	--	--	--	--	5,000	--	--	(1,010,626)
TOTAL: MILITARY ASSISTANCE	--	--	--	--	--	--	--	--	47,917	3,151,279	26,350	--	2,214,920
TOTAL ECONOMIC & MILITARY ASSISTANCE	2,358,714	2,450,900	1,078,400	821,100	64,942	105,000	232,101	3,364,549	47,917	3,151,279	26,350	(1,010,626)	12,690,626

1) DA bureau and country levels in this series of tables include attributions of central and regional programs

2) See last page of this series of tables for details

## FY 1995 U.S. ECONOMIC &amp; MILITARY ASSISTANCE - ACTUAL APPROPRIATIONS

AFRICA	DA 11	ESF	SAUNIS	PL 480			NARCS	CORPS	PEACE	FMF		Other	TOTAL
				TITLE II	TITLE III	Grants				Loans	Grants		
Angola	5,008	-	-	16,624	-	-	-	-	-	-	-	-	21,632
Benin	17,703	-	-	2,508	-	-	-	-	1,581	100	-	-	21,892
Botswana	3,109	-	-	9,951	-	-	-	-	3,116	450	-	-	6,675
Burkina Faso	2,141	-	-	25,727	-	-	-	-	1,050	-	-	-	13,142
Burundi	5,741	-	-	-	-	-	-	-	-	100	-	-	31,568
Cameroon	2,341	-	-	3,536	-	-	-	-	2,713	-	-	-	5,054
Cape Verde	1,904	-	-	1,103	-	-	-	-	1,103	75	-	-	6,618
Central African Republic	2,698	-	-	1,679	-	-	-	-	1,679	175	-	-	4,752
Chad	2,812	-	-	1,381	-	-	-	-	1,382	175	-	-	5,750
Comoros	370	-	-	-	-	-	-	-	622	-	-	-	992
Congo	1,200	-	-	-	-	-	-	-	878	175	-	-	2,253
Cote d'Ivoire	332	-	-	-	-	-	-	-	1,564	150	-	-	2,046
Djibouti	101	-	-	-	-	-	-	-	221	120	-	-	55
Equatorial Guinea	55	-	-	-	-	-	-	-	-	-	-	-	55
Eritrea	13,184	-	-	6,194	-	-	-	-	1,004	200	-	-	20,582
Ethiopia	40,415	-	-	44,194	40,000	-	-	-	978	250	-	-	125,837
Gabon	142	-	-	-	-	-	-	-	2,953	-	-	-	3,095
Gambia	1,721	-	-	2,071	-	-	-	-	1,505	-	-	-	5,297
Ghana	41,234	-	-	7,080	-	-	-	-	2,805	200	-	-	51,119
Guinea	21,468	-	-	37	-	-	-	-	2,158	175	-	-	23,638
Guinea-Bissau	5,303	-	-	3,183	-	-	-	-	1,257	75	-	-	9,798
Kenya	33,647	-	-	7,310	-	-	-	-	2,903	280	-	-	44,340
Lesotho	3,018	-	-	-	-	-	-	-	2,593	50	-	-	5,661
Liberia	-	-	-	30,319	-	-	-	-	-	-	-	-	30,319
Madagascar	29,700	-	-	3,098	-	-	-	-	1,041	-	-	-	33,839
Malawi	48,762	-	-	17,150	-	-	-	-	1,857	125	-	-	65,894
Mali	35,185	-	-	-	-	-	-	-	3,342	155	-	-	38,662
Mauritania	1,078	-	-	711	-	-	-	-	1,329	-	-	-	3,118
Mauritius	113	-	-	48	-	-	-	-	-	-	-	-	181
Mozambique	43,609	-	-	13,741	8,000	-	-	-	-	125	-	-	65,675
Namibia	12,363	-	-	-	-	-	-	-	2,265	150	-	-	14,778
Niger	24,018	-	-	-	-	-	-	-	2,863	200	-	-	27,081
Nigeria	21,170	-	-	-	-	-	-	-	645	-	-	-	21,815
Rwanda	5,430	3,000	-	20,210	-	-	-	-	818	75	-	-	28,640
Sao Tome & Principe	405	-	-	-	-	-	-	-	818	-	-	-	1,298
Senegal	25,551	-	-	-	-	-	-	-	2,851	600	-	-	29,002
Seychelles	180	-	-	-	-	-	-	-	524	-	-	-	704
Sierra Leone	782	-	-	1,976	-	-	-	-	-	50	-	-	2,608
Somalia	5,641	-	-	5,378	-	-	-	-	-	-	-	-	11,219
South Africa	134,876	-	-	-	-	-	-	-	-	250	-	-	135,126
Sudan	-	-	-	22,220	-	-	-	-	-	-	-	-	22,220
Swaziland	6,155	-	-	-	-	-	-	-	1,249	50	-	-	7,454
Tanzania	44,012	-	-	4,185	-	-	-	-	2,072	100	-	-	50,369
Togo	285	-	-	2,055	-	-	-	-	1,937	-	-	-	4,277
Uganda	42,007	-	-	3,696	-	-	-	-	1,293	150	-	-	47,146
Zaire	85	-	-	-	-	-	-	-	-	-	-	-	85
Zambia	26,339	-	-	-	-	-	-	-	1,104	100	-	-	27,543
Zimbabwe	30,212	-	-	-	-	-	-	-	1,705	250	-	-	32,167
Africa Regional	25,364	4,400	-	-	-	-	-	-	-	-	-	-	29,764
AERPP	5,325	-	-	-	-	-	-	-	-	-	-	-	5,325
Horn of Africa	14,663	-	-	-	-	-	-	-	-	-	-	-	14,663
S Africa Regional	21,682	-	-	-	-	-	-	-	-	-	-	-	21,682
REDSOIE	1,311	-	-	-	-	-	-	-	-	-	-	-	1,311
REDSOW	11,530	-	-	-	-	-	-	-	-	-	-	-	11,530
Total	822,457	7,400	-	254,563	48,000	-	-	-	80,539	-	-	-	1,198,089
													5,130

Table 4B

## FY 1995 U.S. ECONOMIC &amp; MILITARY ASSISTANCE - ACTUAL APPROPRIATIONS

	(DOLLARS THOUSANDS)										TOTAL	
	DA 11	ESF	SAUNIS	TITLE II	TITLE III	NARCS	PEACE	Other	FIMF	FIMF		Other
				PL	460-		CORPS	Econ	Loans	Grants	IMET	Military
ASIA & NEAR EAST												
Algerianistan				12,000								
Algeria											75	
Bahrain	40,472			22,689	7,500						75	
Bangladesh				194							175	
Bhutan	100											
Burma	13,993	19,500								200		
Cambodia												
China		815,000					730		1,300,000	1,000		
Egypt							1,882					
Fiji	38,714			101,068								
Indonesia	80,301	1,200,000		3,753					1,800,000		200	
Israel												
Jordan	6,660	7,200							7,300	1,000		
Kiribati							614					
Laos						2,200					400	
Lebanon	4,000	4,000									500	
Malaysia											50	
Maldives											795	
Marshall Islands							795					
Maldives							1,822					
Micronesia	5,160						1,012				100	
Mongolia	18,508						2,543				800	
Morocco	24,075						2,542				100	
Nepal											110	
Oman												
Pakistan	9,000					2,500					11,500	
Papua New Guinea							1,855				125	
Philippines	39,313			13,316			1,804			1,195		
Singapore											20	
Solomon Islands							1,341				10	
South Korea												
South Pacific		14,000										
Sri Lanka	10,391			1,005								
Thailand												
Tonga							1,010				100	
Tunisia							3,252			1,000		
Tunisia							935				50	
Tunisia							1,814				800	
Tonga							662				50	
Vanuatu												
West Bank/Gaza	1,000	75,000										
Western Samoa							1,203				50	
Yemen	8,600						1,132					
ASEAN	1,755											
ANE Regional	35,472											
S.E. Asia Contingency	500						1,450					
Near East Regional		10,000										
Total	338,004	2,144,700		154,025	7,500	7,400	26,957		3,107,300	8,285		5,784,171

## FY 1995 U.S. ECONOMIC &amp; MILITARY ASSISTANCE - ACTUAL APPROPRIATIONS

Table 48

Other Military

FMF Grants

Other FMF Loans

Econ

PEACE

CORPS

NARCS

TITLE III

SAUNIS

ESF

DA 11

(DOLLARS THOUSANDS)

EUROPE &amp; NIS

EUROPE

Albania

Austria

Belarus

Belarus-Herzegovina

Bulgaria

Croatia

Cyprus

Czech Republic

Estonia

Finland

Greece

Hungary

Ireland

Latvia

Lithuania

Macedonia (Former Yugoslav Rep.)

Malta

Poland

Portugal

Romania

Slovak Republic

Slovenia

Spain

Turkey

Eastern Europe Regional

Total

NIS

Armenia

Azerbaijan

Belarus

Georgia

Kazakhstan

Kirghizstan

Moldova

Russia

Tajikistan

Turkmenistan

Ukraine

Uzbekistan

N.I.S. Regional

Total

Other Military

FMF Grants

Other FMF Loans

Econ

PEACE

CORPS

NARCS

TITLE III

SAUNIS

ESF

DA 11

(DOLLARS THOUSANDS)

EUROPE &amp; NIS

EUROPE

Albania

Austria

Belarus

Belarus-Herzegovina

Bulgaria

Croatia

Cyprus

Czech Republic

Estonia

Finland

Greece

Hungary

Ireland

Latvia

Lithuania

Macedonia (Former Yugoslav Rep.)

Malta

Poland

Portugal

Romania

Slovak Republic

Slovenia

Spain

Turkey

Eastern Europe Regional

Total

NIS

Armenia

Azerbaijan

Belarus

Georgia

Kazakhstan

Kirghizstan

Moldova

Russia

Tajikistan

Turkmenistan

Ukraine

Uzbekistan

N.I.S. Regional

Total

Other Military

FMF Grants

Other FMF Loans

Econ

PEACE

CORPS

NARCS

TITLE III

SAUNIS

ESF

DA 11

(DOLLARS THOUSANDS)

EUROPE &amp; NIS

EUROPE

Albania

Austria

Belarus

Belarus-Herzegovina

Bulgaria

Croatia

Cyprus

Czech Republic

Estonia

Finland

Greece

Hungary

Ireland

Latvia

Lithuania

Macedonia (Former Yugoslav Rep.)

Malta

Poland

Portugal

Romania

Slovak Republic

Slovenia

Spain

Turkey

Eastern Europe Regional

Total

NIS

Armenia

Azerbaijan

Belarus

Georgia

Kazakhstan

Kirghizstan

Moldova

Russia

Tajikistan

Turkmenistan

Ukraine

Uzbekistan

N.I.S. Regional

Total

Other Military

FMF Grants

Other FMF Loans

Econ

PEACE

CORPS

NARCS

TITLE III

SAUNIS

ESF

DA 11

(DOLLARS THOUSANDS)

EUROPE &amp; NIS

EUROPE

Albania

Austria

Belarus

Belarus-Herzegovina

Bulgaria

Croatia

Cyprus

Czech Republic

Estonia

Finland

Greece

Hungary

Ireland

Latvia

Lithuania

Macedonia (Former Yugoslav Rep.)

Malta

Poland

Portugal

Romania

Slovak Republic

Slovenia

Spain

Turkey

Eastern Europe Regional

Total

NIS

Armenia

Azerbaijan

Belarus

Georgia

Kazakhstan

Kirghizstan

Moldova

Russia

Tajikistan

Turkmenistan

Ukraine

Uzbekistan

N.I.S. Regional

Total

Other Military

FMF Grants

Other FMF Loans

Econ

PEACE

CORPS

NARCS

TITLE III

SAUNIS

ESF

DA 11

(DOLLARS THOUSANDS)

EUROPE &amp; NIS

EUROPE

Albania

Austria

Belarus

Belarus-Herzegovina

Bulgaria

Croatia

Cyprus

Czech Republic

Estonia

Finland

Greece

Hungary

Ireland

Latvia

Lithuania

Macedonia (Former Yugoslav Rep.)

Malta

Poland

Portugal

Romania

Slovak Republic

Slovenia

Spain

Turkey

Eastern Europe Regional

Total

NIS

Armenia

Azerbaijan

Belarus

Georgia

Kazakhstan

Kirghizstan

Moldova

Russia

Tajikistan

Turkmenistan

Ukraine

Uzbekistan

N.I.S. Regional

Total

Other Military

FMF Grants

Other FMF Loans

Econ

PEACE

CORPS

NARCS

TITLE III

SAUNIS

ESF

DA 11

(DOLLARS THOUSANDS)

EUROPE &amp; NIS

EUROPE

Albania

Austria

Belarus

Belarus-Herzegovina

Bulgaria

Croatia

Cyprus

Czech Republic

Estonia

Finland

Greece

Hungary

Ireland

Latvia

Lithuania

Macedonia (Former Yugoslav Rep.)

Malta

Poland

Portugal

Romania

Slovak Republic

Slovenia

Spain

Turkey

Eastern Europe Regional

Total

NIS

Armenia

Azerbaijan

Belarus

Georgia

Kazakhstan

Kirghizstan

Moldova

Russia

Tajikistan

Turkmenistan

Ukraine

Uzbekistan

N.I.S. Regional

Total

Other Military

FMF Grants

Other FMF Loans

Econ

PEACE

CORPS

NARCS

TITLE III

SAUNIS

ESF

DA 11

(DOLLARS THOUSANDS)

EUROPE &amp; NIS

EUROPE

Albania

Austria

Belarus

Belarus-Herzegovina

Bulgaria

Croatia

Cyprus

Czech Republic

Estonia

Finland

Greece

Hungary

Ireland

Latvia

Lithuania

Macedonia (Former Yugoslav Rep.)

Malta

Poland

Portugal

Romania

Slovak Republic

Slovenia

FY 1995 U.S. ECONOMIC & MILITARY ASSISTANCE - ACTUAL APPROPRIATIONS

Table 4B

	(DOLLARS THOUSANDS)		PL 480		PEACE		NARCS		FMF		FMF		Other Military	TOTAL
	DA 11	ESF	SA/INIS	TITLE II	TITLE III	Other	Econ	Loans	Grants	IMET	Grants	IMET		
LATIN AMERICA & CARIBBEAN														
Argentina												100		100
The Bahamas					700									700
Belize	2,164					1,260						40		3,464
Bolivia	30,669	11,750		19,945	13,000	2,220				2,829		350		80,763
Brazil	13,545				600							100		14,245
Chile	2,675					1,898						100		4,673
Colombia	6,398				19,000					10,000		600		35,998
Costa Rica	2,918			1,186		1,937						50		6,091
Dominican Republic	9,949			3,796	500	3,568						200		16,472
Ecuador	10,761			185		2,527						300		15,104
El Salvador	24,435	16,000		14,175	2,500	3,461						400		41,698
Guatemala	20,439	2,000		707	3,000	805						75		42,775
Guyana	1,133			32,470	10,000					3,000				5,720
Haiti	60,530	64,400												170,400
Haiti Peacekeeping		15,500												15,500
Honduras	18,536			5,784	3,000	3,082						325		30,727
Jamaica	12,614				600	2,190						170		15,574
Mexico	21,208			6,154		1,535						200		27,562
Nicaragua	20,098	6,000		4,670								100		32,403
Panama	3,031					1,323								4,354
Paraguay	3,240			59		3,115						125		6,539
Peru	27,611	5,500		54,005	12,000							325		98,441
Suriname												50		50
Uruguay						1,588						100		1,688
Venezuela					500							250		750
Caribbean Regional	1,206					3,372						200		4,778
PACAMS														425
ROCAP	8,912													8,912
LAC Regional	36,415	10,000			4,000									50,415
Environ. Initiat. for the Americas	22,602													22,602
Total	361,089	131,150		143,136	16,000	53,400	34,534			15,629		4,785		759,923

Table 4B

## FY 1996 U.S. ECONOMIC &amp; MILITARY ASSISTANCE - ACTUAL APPROPRIATIONS

(DOLLARS THOUSANDS)

OTHER	DA 11	ESF	SAUNIS	PL 480			PEACE CORPS	Other Econ	FMF Loans	FMF Grants	IMET	Other Military	TOTAL
				TITLE I	TITLE II	TITLE III							
Administrative Costs							82,201		22,150	380			104,731
Loan subsidy								47,917					47,917
Interregional Programs													
Interregional Organizations													6,500
Interregional Aviation Support						6,500							24,000
Law Enforcement & Other Training						24,000							7,000
Program Development & Support						7,000							6,300
Crime Initiative		5,000				6,300							5,000
Special Concerns 31	62,330		7,000										69,330
<b>Central P.L. 480:</b>													
Contingency Fund						312							312
Unallocated Emergency Programs					211,890								211,890
WFP Unallocated					56,034								56,034
Stock Adjustment					(12,030)								(12,030)
Transportation Costs					(332,559)	[26,400]							[358,959]
Buydown					(12,096)								(12,096)
Farmer to Farmer					1,642	130							1,772
PVO Administration					13,500								13,500
DOT Reflows					(12,000)	(7,000)							(19,000)
TOTAL Central P.L. 480					246,938	(6,558)							240,380
<b>Other Bilateral Assistance</b>													
Enterprise for the Americas													7,000
Debt Restructuring								7,000					7,000
Multilateral Investment Fund								75,000					75,000
Trade & Development Program								61,986					61,986
Inter-American Foundation								30,960					30,960
African Development Foundation								18,905					18,905
Peace Corps Trust Fund							756						756
Migration & Refugee Assistance								671,000					671,000
Emergency Refugee & Migration Fund								50,000					50,000
Peacekeeping Operations								15,244					15,244
Non-Proliferation & Disarmament								74,150					74,150
P.L. 480 Title I loan subsidy & admin. expenses								10,000					10,000
P.L. 480 Title I transport costs								194,758					194,758
North American Development Bank								29,000					29,000
Misc. Trust Funds - DOT Receipts								56,250					56,250
OPIC loan subsidy & admin exp.								(505)					(505)
OPIC insurance activities								106,944					106,944
P.L. 480 Food for Progress								(168,531)					(168,531)
P.L. 480 subsidy reestimate								83,598					83,598
P.L. 480 Liquidating Account								74,110					74,110
Foreign Currency Loan Repayments								(504,515)					(504,515)
TOTAL Other Bilateral							756	860,454					861,210
<b>Other Military Assistance</b>													
FMF Receipts												(565,823)	(565,823)
FMF Liquidating Account												(456,803)	(456,803)
Military to Military Contact												12,000	12,000
FMF: Demining									5,000				5,000
Special Defense Acquisition Fund													(282,000)
TOTAL Other Military									5,000				(282,000)
31. Special concerns includes funds to be allocated for special concerns such as Vitamin A, orphans, and prostheses									5,000				(1,005,626)

	FY 1996 U.S. ECONOMIC & MILITARY ASSISTANCE - REQUEST										Table 4C			
	- PL 480 -													
(DOLLARS THOUSANDS)	DA 1)	ESF	SAUNIS	TITLE II	TITLE III	NARCS	PEACE	OTHER	ECON	FMF	FMF	Other	TOTAL	
BILATERAL ASSISTANCE - SUMMARY				FL 480						Loans	Grants	Military 2)		
Africa	827,315	24,350	-	103,858	44,700	-	63,020	-	-	-	-	6,610	-	1,069,853
Asia & Near East	402,300	2,185,530	-	106,891	-	7,500	25,222	-	-	-	3,133,000	10,850	-	5,871,293
Europe & NIS	5,400	144,600	1,268,000	-	-	4,400	29,142	-	-	-	85,000	12,860	-	1,549,402
Latin America & Caribbean	385,000	117,820	-	94,256	10,000	150,600	36,361	-	-	-	10,000	9,100	-	813,137
Central PL 480 2)	-	-	-	490,698	(4,700)	-	-	-	-	-	-	-	-	485,998
Global Programs, Field Sup & Research	399,085	-	-	-	-	-	-	-	-	-	-	-	-	399,085
BHR	72,200	-	-	-	-	-	-	-	-	-	-	-	-	72,200
PPC	10,700	-	-	-	-	-	-	-	-	-	-	-	-	10,700
Other 2)	-	22,000	-	-	-	50,500	80,255	-	-	89,888	34,020	361	-	277,024
Geographic & Central Programs (Africa Funds)	2,102,000	2,494,300	1,268,000	795,703	50,000	213,000	234,000	-	-	89,888	3,262,020	39,781	-	10,548,692
Subtotal	2,102,000	2,494,300	1,268,000	795,703	50,000	213,000	234,000	-	-	89,888	3,262,020	39,781	-	10,548,692
International Disaster Assistance	200,000	-	-	-	-	-	-	-	-	-	-	-	-	200,000
Housing Credit Subsidy	16,760	-	-	-	-	-	-	-	-	-	-	-	-	16,760
Housing Admin.	7,240	-	-	-	-	-	-	-	-	-	-	-	-	7,240
Housing Guaranty Liquidating	(3,225)	-	-	-	-	-	-	-	-	-	-	-	-	(3,225)
MSED/IECP Credit Subsidy	12,000	-	-	-	-	-	-	-	-	-	-	-	-	12,000
MSED/IECP Admin.	2,500	-	-	-	-	-	-	-	-	-	-	-	-	2,500
Operating Expenses	529,000	-	-	-	-	-	-	-	-	-	-	-	-	529,000
Operating Expenses - I.G.	39,118	-	-	-	-	-	-	-	-	-	-	-	-	39,118
Foreign Service Retirement	43,914	-	-	-	-	-	-	-	-	-	-	-	-	43,914
Total Misc. Trust Funds	5	-	-	-	-	-	-	-	-	-	-	-	-	5
Misc. Trust Funds	5,500	-	-	-	-	-	-	-	-	-	-	-	-	5,500
Misc. Trust Fund Receipts	(5,495)	-	-	-	-	-	-	-	-	-	-	-	-	(5,495)
Econ. Assist. Loans Liquidating	(65,128)	-	-	-	-	-	-	-	-	-	-	-	-	(65,128)
A.I.D. Loan Repayments	(531,600)	-	-	-	-	-	-	-	-	-	-	-	-	(531,600)
Total USAID	2,352,584	2,494,300	1,268,000	795,703	50,000	-	-	-	-	-	-	-	-	6,960,587
Other Bilateral Assistance <sup>2)</sup>	-	-	-	-	-	213,000	234,779	675,379	89,888	3,262,020	39,781	(894,301)	(894,301)	3,620,546
TOTAL: BILATERAL ASSISTANCE	2,352,584	2,494,300	1,268,000	795,703	50,000	213,000	234,779	675,379	89,888	3,262,020	39,781	(894,301)	(894,301)	10,581,133
MULTILATERAL ASSISTANCE	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MDB's	-	-	-	-	-	-	-	2,203,865	-	-	-	-	-	2,203,865
IO & P	-	-	-	-	-	-	-	425,000	-	-	-	-	-	425,000
TOTAL: MULTILATERAL ASSISTANCE	-	-	-	-	-	-	-	2,628,865	-	-	-	-	-	2,628,865
TOTAL ECONOMIC ASSISTANCE	2,352,584	2,494,300	1,268,000	795,703	50,000	213,000	234,779	3,304,244	-	-	-	-	-	10,712,610
TOTAL: MILITARY ASSISTANCE	-	-	-	-	-	-	-	-	89,888	3,262,020	39,781	(894,301)	(894,301)	2,497,388
TOTAL ECONOMIC & MILITARY ASSISTANCE	2,352,584	2,494,300	1,268,000	795,703	50,000	213,000	234,779	3,304,244	89,888	3,262,020	39,781	(894,301)	(894,301)	13,209,998

1) DA bureau and country levels in this series of tables include attributions of central and regional programs

2) See last page of this series of tables for details

Table 4C

## FY 1988 U.S. ECONOMIC &amp; MILITARY ASSISTANCE - REQUEST

(DOLLARS THOUSANDS)

	DA 11	ESF	SA/NIS	TITLE II	TITLE III	NARCS	CORPS	PEACE	OTHER	FMF Loans	FMF Grants	IMET	Military 2/	Other	TOTAL
AFRICA															
Angola	17,132	10,000		1,963								150			10,000
Benin	366						1,621					475			20,866
Botswana	1,015						3,363								4,204
Burkina Faso	4,813			10,823			1,548								13,386
Burundi	315											125			4,938
Cameroon	113						1,970					100			2,385
Cape Verde	2,902			2,547			1,154					100			3,914
Central African Republic	616						1,850					125			4,877
Chad	370						1,988					100			2,204
Comoros	1,069						735					165			1,180
Cote d'Ivoire	229						1,089					75			2,343
Djibouti	100						1,623					160			2,212
Equatorial Guinea	25											250			25
Eritrea	9,624			4,060			1,215								15,149
Ethiopia	41,087			32,353	34,000		3,885					300			109,125
Gabon	50						3,053								3,103
Gambia	1,841						2,068								5,472
Ghana	45,294			8,611			1,543					250			56,938
Guinea	25,666						2,763					175			27,998
Guinea-Bissau	5,450			907			2,155					100			7,649
Kenya	31,620			6,951			2,777					350			41,698
Lesotho	172						2,841					75			2,868
Madagascar	31,277			3,174			1,256					100			35,807
Malawi	35,474						2,008					250			37,732
Mali	35,790			309			3,555					150			39,604
Mauritania	956						1,189								2,155
Mauritius	120														120
Mozambique	38,825			5,870	10,700							125			55,520
Namibia	9,935						2,631					250			12,816
Niger	28,315						2,979					300			31,594
Nigeria	26,827														29,827
Rwanda	5,451														5,451
Sao Tome & Principe	405						901					75			1,381
Senegal	29,103						2,739					600			32,442
Seychelles	180											60			240
Sierra Leone	749											120			869
Somalia	5,563														5,563
South Africa	131,878											500			132,378
Swaziland	359						1,284					80			1,733
Tanzania	42,632						2,175					175			44,982
Togo	265						2,272					200			2,537
Uganda	45,666			3,731			1,489					150			51,086
Zambia	38,425						1,304					250			39,879
Zimbabwe	23,388						1,823								25,461
Zimbabwe	42,540														42,540
Africa Regional		14,350													14,350
African Democracy Support															
Horn of Africa	15,000			20,471											35,471
S Africa Regional	30,170														30,170
REDSOE	813														813
REDSOW	17,319														17,319
Total	827,315	24,350		103,859	44,700		63,020					6,610			1,089,853

Table 4C

## FY 1996 U.S. ECONOMIC &amp; MILITARY ASSISTANCE - REQUEST

	(DOLLARS THOUSANDS)										TOTAL	
	DA 11	ESF	SAINIS	TITLE II	TITLE III	NARCS	PEACE	OTHER	FMF	FMF		IMET
ASIA & NEAR EAST				PL 480					Loans	Grants	Military 2	
Algeria	--	--	--	--	--	--	--	--	--	--	75	--
Bahrain	--	--	--	--	--	--	--	--	--	--	100	--
Bangladesh	61,232	--	--	16,560	--	--	--	--	--	--	258	78,050
Cambodia	--	39,520	--	--	--	--	--	--	--	3,000	300	42,820
China	--	--	--	--	--	604	--	--	--	--	--	604
Egypt	--	815,000	--	--	--	1,800	--	--	1,300,000	1,000	--	2,116,000
Fiji	--	--	--	--	--	--	--	--	--	--	--	1,800
India	70,433	--	--	85,853	--	--	--	--	--	--	364	156,650
Indonesia	61,391	--	--	1,863	--	--	--	--	--	1,800,000	600	63,854
Israel	--	1,200,000	--	--	--	--	--	--	1,800,000	--	--	3,000,000
Jordan	7,858	7,200	--	--	--	--	--	--	30,000	1,200	--	48,258
Kiribati	--	--	--	--	--	536	--	--	--	--	--	536
Laos	--	--	--	--	2,000	--	--	--	--	--	--	2,000
Lebanon	4,000	4,000	--	--	--	--	--	--	--	475	--	8,475
Malaysia	--	--	--	--	--	--	--	--	--	600	--	600
Maldives	--	--	--	--	--	--	--	--	--	80	--	80
Marshall Islands	--	--	--	--	--	883	--	--	--	--	--	883
Micronesia	--	--	--	--	--	1,813	--	--	--	--	--	1,813
Mongolia	800	10,000	--	--	--	1,075	--	--	--	100	--	11,975
Morocco	27,864	--	--	--	--	2,574	--	--	--	800	--	31,238
Nepal	27,314	--	--	--	--	2,480	--	--	--	138	--	29,932
Oman	--	--	--	--	--	--	--	--	--	--	--	110
Pakistan	--	--	--	--	2,500	--	--	--	--	--	--	2,500
Papua New Guinea	--	--	--	--	--	1,946	--	--	--	175	--	2,121
Philippines	70,372	--	--	2,615	--	1,872	--	--	--	1,400	--	76,259
Singapore	--	--	--	--	--	1,239	--	--	--	20	--	20
Solomon Islands	--	--	--	--	--	--	--	--	--	125	--	1,364
South Korea	--	--	--	--	--	--	--	--	--	10	--	10
South Pacific	18,837	14,000	--	--	--	1,050	--	--	--	175	--	14,000
Sri Lanka	--	--	--	--	1,500	2,489	--	--	--	1,600	--	20,062
Thailand	--	--	--	--	--	1,060	--	--	--	200	--	5,999
Tonga	--	--	--	--	--	1,912	--	--	--	800	--	1,260
Tunisia	--	--	--	--	--	715	--	--	--	95	--	2,712
Vanuatu	--	--	--	--	--	--	--	--	--	--	--	810
West Bank/Gaza	1,000	75,000	--	--	--	1,164	--	--	--	--	--	76,000
Western Samoa	9,465	--	--	--	--	--	--	--	--	50	--	1,214
Yemen	41,734	20,810	--	--	1,500	--	--	--	--	--	--	9,465
ANE Regional	402,300	2,185,530	--	106,891	--	7,500	25,222	--	--	3,133,000	--	64,044
Total										10,850		5,871,293



FY 1996 U.S. ECONOMIC & MILITARY ASSISTANCE - REQUEST  
 -PL 480-

	(DOLLARS THOUSANDS)										Table 4C		
	DA 11	ESF	SA/INIS	TITLE II	TITLE III	NARCS	PEACE CORPS	OTHER ECON	FMF Loans	FMF Grants	IMET	Other Military Δ	TOTAL
LATIN AMERICA & CARIBBEAN													
Argentina	--	--	--	--	--	--	--	--	--	300	--	--	300
The Bahamas	--	--	--	--	700	--	--	--	--	100	--	--	800
Belize	--	--	--	--	--	1,344	--	--	--	250	--	--	1,594
Bolivia	40,531	--	17,898	60,000	1,000	2,560	--	--	--	500	--	--	121,489
Brazil	16,927	--	--	1,000	--	--	--	--	--	200	--	--	18,127
Chile	--	--	--	--	35,000	--	--	--	--	300	--	--	2,356
Colombia	2,808	--	--	--	--	--	--	--	--	900	--	--	38,708
Costa Rica	--	--	--	--	--	1,602	--	--	--	150	--	--	1,752
Dominican Republic	16,185	--	3,452	--	--	2,548	--	--	--	500	--	--	22,685
Eastern Caribbean	--	--	--	--	--	3,494	--	--	--	300	--	--	3,794
Ecuador	18,250	--	--	--	850	3,386	--	--	--	400	--	--	22,886
El Salvador	41,604	--	--	9,784	--	1,023	--	--	--	450	--	--	43,077
Guatemala	31,152	--	--	--	2,550	3,413	--	--	--	250	--	--	47,149
Guyana	4,651	--	--	--	--	1,451	--	--	--	150	--	--	6,252
Haiti	--	90,270	--	15,715	10,000	--	--	--	7,000	400	--	--	123,385
Honduras	28,974	--	--	4,410	--	3,118	--	--	--	450	--	--	37,902
Jamaica	15,862	--	--	--	1,000	2,263	--	--	--	400	--	--	19,575
Mexico	24,242	--	--	--	--	--	--	--	--	1,000	--	--	25,242
Nicaragua	37,234	--	--	--	--	1,873	--	--	--	200	--	--	39,307
Panama	6,285	--	--	--	--	1,370	--	--	--	150	--	--	7,655
Paraguay	9,285	--	--	42,997	--	3,092	--	--	--	500	--	--	12,527
Peru	38,880	--	--	--	--	42,000	--	--	--	50	--	--	124,377
Suriname	--	--	--	--	--	--	--	--	--	50	--	--	50
Trinidad/Tobago	--	--	--	--	--	--	--	--	--	50	--	--	50
Uruguay	--	--	--	--	--	1,768	--	--	--	250	--	--	2,018
Venezuela	--	--	--	--	500	--	--	--	--	300	--	--	800
Caribbean Peacekeeping	--	--	--	--	--	--	--	--	3,000	--	--	--	3,000
PACAMS	--	--	--	--	--	--	--	--	--	600	--	--	600
ROCAP	17,870	--	--	--	--	--	--	--	--	--	--	--	17,870
LAC Regional	33,280	--	--	--	7,000	--	--	--	--	--	--	--	40,280
LAC Regional Democracy	--	27,550	--	--	--	--	--	--	--	--	--	--	27,550
Total	385,000	117,820	--	94,256	10,000	150,600	36,361	--	10,000	9,100	--	--	813,137

FY 1996 U.S. ECONOMIC & MILITARY ASSISTANCE - REQUEST

Table 4C

(DOLLARS THOUSANDS)	DA 11	ESF	SA/UNIS	—PL 480—			FMF Loans	FMF Grants	IMET	Other Military 21	TOTAL
				TITLE II	TITLE III	NARCS CORPS					
OTHER											
Administrative Costs							24,020	361			104,636
Loan subsidy						89,888					89,888
International Organizations											11,500
Law Enforcement & Other Training				11,500							11,500
Program Development & Support				6,500							6,500
Interregional Aviation Support				21,000							21,000
Admin of Justice/CITAP		10,000									10,000
Crime Initiative		12,000									12,000
FMF: Demining							10,000				10,000
Central P.L. 480:											
Contingency Fund				200							200
Emergency Programs				352,113							352,113
Stock Adjustment				(14,505)							(14,505)
World Food Program				150,000							150,000
Transportation Costs				[223,532]	[21,900]						[245,432]
Farmer to Farmer				1,591	100						1,691
PVO Administration				13,500							13,500
DOT Refunds				(12,000)	(5,000)						(17,000)
TOTAL Central P.L. 480				490,898	(4,700)						486,198
Other Bilateral Assistance											
Enterprise for the Americas											
Debt Restructuring							42,000				42,000
Multilateral Investment Fund							100,000				100,000
Trade & Development Program							87,000				87,000
Inter-American Foundation							31,760				31,760
African Development Foundation							17,405				17,405
Peace Corps Trust Fund							779				779
Migration & Refugee Assistance							671,000				671,000
Emergency Refugee & Migration Fund							90,000				90,000
Anti-Terrorism Assistance							15,000				15,000
Peacekeeping Operations							100,000				100,000
Nonproliferation and Disarmament Fund							25,000				25,000
P.L. 480 Title I loan subsidy & admin. expenses							133,583				133,583
P.L. 480 Title I transport costs							16,417				16,417
Misc. Trust Funds - DOT Receipts							(505)				(505)
OPIC loan subsidy & admin exp							95,000				95,000
OPIC Insurance activities							(191,500)				(191,500)
P.L. 480 Liquidating Account							(473,851)				(473,851)
Foreign Currency Loan Repayments							(22,900)				(22,900)
TOTAL Other Bilateral							779	675,379			676,158
Other Military Assistance										(655,382)	(655,382)
FMF Receipts										(238,919)	(238,919)
FMF Liquidating Account										(220,000)	(220,000)
Special Defense Acquisition Fund										(894,301)	(894,301)
TOTAL Other Military											

FY 1994 U.S. ECONOMIC & MILITARY ASSISTANCE - ACTUAL OBLIGATIONS														Table 5A
(DOLLARS THOUSANDS)														
BILATERAL ASSISTANCE SUMMARY														
	DA	ESF	TITLE I	TITLE II	TITLE III	NARCS	PEACE CORPS	OTHER ECON	FMF Loans	FMF Grants	IMET	Other Military	TOTAL	
Africa	743,469	16,100	467,724	86,350	—	—	62,795	—	—	485	4,021	—	1,360,944	
Asia & Near East	255,918	1,902,986	195,841	69,815	8,400	25,176	10,000	—	3,109,000	6,033	6,033	—	5,597,169	
Europe & NIS	420	74,407	95,661	—	400	26,365	1,953,843	—	—	6,757	—	—	2,157,853	
Latin America & Caribbean	267,783	172,902	178,011	82,918	53,200	33,889	—	—	12,227	5,074	—	—	806,004	
Central PL 480	—	—	(119,667)	16,000	—	—	—	—	—	—	—	—	(103,667)	
Global Programs, Field Support & Research	591,480	300	—	—	—	—	—	12,784	—	—	—	—	604,564	
BHR	57,045	—	—	—	—	—	—	—	—	—	—	—	57,045	
Policy Directorate	7,485	—	—	—	—	—	—	—	—	—	—	—	7,485	
Other	50,933	211	—	—	—	39,000	84,020	1,076	38,118	23,558	364	—	237,280	
Geographic & Central Programs (Africa Fund)	1,974,533	2,166,906	821,570	255,083	101,000	232,245	1,977,703	—	38,118	3,145,270	22,250	—	10,734,677	
(Andean Narcotics Int.)	[838,609]												[838,609]	
Transfers	—	[46,167]	—	56,600	(22,100)	—	—	—	—	—	—	—	[46,167]	
Rescissions	—	—	—	—	—	—	—	—	—	(91,282)	—	—	36,500	
Subtotal	1,974,533	2,166,906	880,170	232,983	101,000	232,245	1,977,703	—	38,118	3,053,988	22,250	—	10,679,895	
International Disaster Assistance	151,786	—	—	—	—	—	—	—	—	—	—	—	151,786	
African Disaster Assistance	952	—	—	—	—	—	—	—	—	—	—	—	952	
Housing Credit Subsidy	15,179	—	—	—	—	—	—	—	—	—	—	—	15,179	
Housing Admin	7,845	—	—	—	—	—	—	—	—	—	—	—	7,845	
Housing Guaranty Liquidating	67,007	—	—	—	—	—	—	—	—	—	—	—	67,007	
MSED Credit Subsidy	992	—	—	—	—	—	—	—	—	—	—	—	992	
MSED Admin	194	—	—	—	—	—	—	—	—	—	—	—	194	
Operating Expenses	516,604	—	—	—	—	—	—	—	—	—	—	—	516,604	
Operating Expenses - I.G.	38,773	—	—	—	—	—	—	—	—	—	—	—	38,773	
Foreign Service Retirement	44,151	—	—	—	—	—	—	—	—	—	—	—	44,151	
Misc. Trust Funds	4,768	—	—	—	—	—	—	—	—	—	—	—	4,768	
Misc. Trust Fund Receipts	(1,183)	—	—	—	—	—	—	—	—	—	—	—	(1,183)	
A.I.D. Loan Repayments	(539,838)	—	—	—	—	—	—	—	—	—	—	—	(539,838)	
Total USAID	2,281,763	2,166,906	880,170	232,983	101,000	232,979	1,977,703	—	38,118	3,056,488	22,250	(800,474)	2,997,667	
Other Bilateral Assistance 2)	(50,836)	(59,503)	—	—	—	101,000	232,979	457,645	38,118	3,056,488	22,250	(800,474)	2,997,667	
TOTAL: BILATERAL	2,230,927	2,107,403	880,170	232,983	101,000	232,979	2,435,348	—	38,118	3,056,488	22,250	(800,474)	10,537,192	
MULTILATERAL ASSISTANCE	—	—	—	—	—	—	—	—	—	—	—	—	—	
MDB's	—	—	—	—	—	—	—	—	—	—	—	—	—	
IO & P	—	—	—	—	—	—	—	—	—	—	—	—	—	
TOTAL: MULTILATERAL	—	—	—	—	—	—	—	—	—	—	—	—	—	
TOTAL ECONOMIC ASSISTANCE	2,230,927	2,107,403	880,170	232,983	101,000	232,979	2,435,348	—	38,118	3,056,488	22,250	(800,474)	10,537,192	
TOTAL MILITARY ASSISTANCE	—	—	—	—	—	—	—	—	—	—	—	—	—	
Bilateral	—	—	—	—	—	—	—	—	38,118	3,053,988	22,250	(800,474)	3,114,356	
Other 2)	—	—	—	—	—	—	—	—	—	2,500	—	(800,474)	(797,974)	
TOTAL: MILITARY ASSISTANCE	—	—	—	—	—	—	—	—	38,118	3,056,488	22,250	(800,474)	2,316,382	
TOTAL ECONOMIC & MILITARY ASSISTANCE	2,230,927	2,107,403	880,170	232,983	101,000	232,979	2,435,348	—	38,118	3,056,488	22,250	(800,474)	12,274,680	

1) See last page of this series of tables for details

## FY 1994 U.S. ECONOMIC &amp; MILITARY ASSISTANCE - ACTUAL OBLIGATIONS

AFRICA	14-FEB-95				PL 480-				Table SA			
	DA	ESF	TITLE II	TITLE III	NARCS	PEACE CORPS	OTHER ECON	FIMF Loans	FIMF Grants	IMET	Other Military	TOTAL
Angola	20,061	46,402	—	—	—	—	—	—	—	99	—	46,402
Benin	4,775	1,696	—	—	—	1,848	—	—	—	—	—	24,169
Burkina Faso	2,627	8,911	—	—	—	2,770	—	—	—	364	—	9,607
Burundi	4,497	40,302	—	—	—	—	—	—	—	—	—	11,538
Cameroon	49	—	—	—	—	180	—	—	—	—	—	44,979
Cape Verde	800	3,456	—	—	—	3,268	—	—	100	—	—	3,417
Central African Republic	2,316	86	—	—	—	1,030	—	—	—	—	—	5,286
Chad	5,150	3,275	—	—	—	1,810	—	—	—	—	—	4,212
Comoros	—	—	—	—	—	1,603	—	—	—	225	—	10,253
Congo	700	—	—	—	—	777	—	—	—	—	—	777
Cote d'Ivoire	—	—	—	—	—	847	—	—	—	109	—	1,656
Djibouti	—	1,000	—	—	—	1,250	—	—	—	150	—	1,400
Eritrea	7,969	2,000	—	—	—	—	—	—	—	106	—	1,106
Ethiopia	32,416	24,863	—	—	—	277	—	—	82	—	—	35,221
Gabon	—	67,414	—	44,700	—	—	—	—	200	113	—	144,843
Gambia	8,750	—	—	—	—	3,377	—	—	—	—	—	3,377
Ghana	32,135	1,000	—	8,300	—	1,604	—	—	—	100	—	10,616
Guinea	16,437	8,311	—	9,000	—	2,670	—	—	285	229	—	52,930
Guinea-Bissau	4,100	—	—	—	—	2,273	—	—	—	88	—	29,786
Kenya	17,183	541	—	—	—	1,297	—	—	—	102	—	6,040
Lesotho	2,072	20,462	—	—	—	3,043	—	—	—	288	—	40,978
Liberia	3,696	3,381	—	—	—	2,659	—	—	—	—	—	8,112
Madagascar	27,590	56,396	—	—	—	968	—	—	—	—	—	60,092
Mali	26,190	8,775	—	—	—	1,852	—	—	—	125	—	32,360
Mauritania	34,204	1,289	—	—	—	4,139	—	—	—	134	—	38,942
Mozambique	33,300	3,100	—	15,000	—	1,613	—	—	—	—	—	38,766
Namibia	12,799	—	—	—	—	—	—	—	—	—	—	60,092
Niger	16,115	3,979	—	—	—	2,239	—	—	—	220	—	15,258
Nigeria	5,893	—	—	—	—	3,067	—	—	—	200	—	23,361
Rwanda	—	—	—	—	—	1,047	—	—	—	—	—	6,940
Sao Tome	300	500	—	—	—	109	—	—	—	75	—	44,420
Senegal	30,925	204	—	—	—	841	—	—	—	—	—	1,845
Seychelles	—	—	—	—	—	3,119	—	—	—	450	—	34,494
Sierra Leone	468	—	—	—	—	414	—	—	—	—	—	414
Somalia	13,941	10,750	—	—	—	890	—	—	—	—	—	12,106
South Africa	130,674	2,000	—	16,808	—	—	—	—	—	—	—	33,749
Sudan	—	3,000	—	66,330	—	—	—	—	—	104	—	133,778
Swaziland	6,255	—	—	—	—	—	—	—	—	—	—	86,330
Tanzania	19,685	—	—	—	—	1,367	—	—	—	—	—	7,842
Togo	4	3,284	—	—	—	2,135	—	—	—	114	—	21,934
Uganda	32,862	1,000	—	9,350	—	2,527	—	—	—	—	—	5,815
Zambia	18,850	2,114	—	—	—	1,253	—	—	—	128	—	46,707
Zimbabwe	15,747	—	—	—	—	1,101	—	—	—	75	—	20,026
Africa Regional	98,913	—	—	—	—	1,491	—	—	—	241	—	17,479
Southern Africa Reg USADCC	46,491	—	—	—	—	—	—	—	—	—	—	101,413
REDSOE	2,000	—	—	—	—	—	—	—	—	—	—	46,491
REDSOW	2,500	—	—	—	—	—	—	—	—	—	—	2,500
Total	743,468	18,100	487,724	86,350	—	62,795	—	—	485	4,021	—	1,380,944

Table 5A  
 14-FEB-95  
 FY 1994 U.S. ECONOMIC & MILITARY ASSISTANCE - ACTUAL OBLIGATIONS  
 (DOLLARS THOUSANDS)

	DA	ESF	TITLE II	TITLE III	MARCS	PEACE CORPS	OTHER ECON	FMF Loans	FMF Grants	IMET	Other Military	TOTAL
ASIA & NEAR EAST												
Afghanistan		1,995										1,995
Algeria										56		56
Bahrain			36,875	44,816						182		125,073
Bangladesh	43,200									122		28,597
Cambodia	13,175	16,300				428						428
China		591,642	9,647					1,300,000		600		1,902,069
Egypt						1,910						1,910
Finl										152		154,327
India	35,684		118,491									22,917
Indonesia	13,405		9,512					1,800,000				3,000,000
Israel		1,200,000						8,000		800		38,042
Jordan	4,000	24,000	242			489						489
Kiribati										21		21
Korea					2,000							2,000
Laos										304		1,965
Lebanon		1,661								316		1,981
Malaysia												667
Marshall Islands						667						1,895
Micronesia						1,895						7,922
Mongolia	7,000					872				50		526
Morocco	14,600	2,971	375			2,501				526		20,976
Nepal	18,799					2,313				106		19,216
Nepal										54		54
Oman			7,108		2,500							9,608
Pakistan						1,852				50		1,902
Papua New Guinea						1,280				876		62,817
Philippines	35,214		15,447			10,000						62,817
Singapore										10		10
Solomon Islands						1,074				8		1,082
South Pacific		14,000										14,000
Sri Lanka	12,200		433	24,999		904				100		38,636
Thailand	5,062				3,000	3,776				895		12,793
Tonga						1,022				15		1,037
Tunisia		985				1,651				500		3,136
Vanuatu						523				15		538
Viet Nam (South)												688
West Bank/Gaza	15,074	41,695	1,711									58,480
Western Samoa						1,283				15		1,278
Yemen	2,999					785						3,764
ASEAN	2,878											2,878
Asia Regional	27,768	6,049			900							34,717
S.E. Asia Contingency	6,040	1,000										7,040
Near East Regional	1,000											1,000
Total	255,918	1,902,986	199,841	69,815	8,400	25,176	10,000	3,109,000		6,033		5,587,169

Table SA

 FY 1994 U.S. ECONOMIC & MILITARY ASSISTANCE - ACTUAL OBLIGATIONS  
 14-FEB-95  
 (DOLLARS THOUSANDS)

	DA	ESF	TITLE II	TITLE III	NARCS	PEACE CORPS	OTHER ECON	FMF Loans	FMF Grants	IMET	Other Military	TOTAL
EUROPE & NIS												
Albania						1,138				165		1,303
Armenia						1,060						1,060
Baltics						2,347						2,347
Bosnia-Herzegovina			86,271							100		100
Bulgaria						1,167				300		1,467
Croatia			8,367									8,367
Cyprus		29,999										29,999
Czech Republic						1,915						1,915
Estonia												152
Georgia										83		83
Greece						2,308		[315,000]		100		3,008
Hungary										700		700
Ireland												39,408
Kazakhstan		39,408				1,719				90		1,809
Kirghizstan						898				50		948
Latvia										195		195
Lithuania										150		150
Macedonia		5,000										5,000
Malta										18		18
Moldova						871				57		928
Poland						3,566				700		4,266
Portugal								[81,000]		500		500
Romania						1,331				312		1,643
Russia						2,672	90,000			471		93,143
Slovak Republic						1,004				296		1,300
Slovenia			1,023							113		1,136
Spain										49		49
Turkey					400			[450,000]		1,006		1,406
Turkmenistan						1,268				50		1,318
Ukraine						1,766				600		2,366
Uzbekistan						1,135						1,135
Eastern Europe Regional	350						476,293					476,643
Western Europe										20		20
N.I.S. Regional	70						1,387,550					1,387,620
Total	420	74,407	95,661		400	26,365	1,953,643			6,757		2,157,653

14-FEB-95  
FY 1994 U.S. ECONOMIC & MILITARY ASSISTANCE - ACTUAL OBLIGATIONS  
---PL 480---

(DOLLARS THOUSANDS)

	DA	ESF	TITLE II	TITLE III	N'ARCS	PEACE	OTHER	ECON	FMF	Grants	IMET	Other	TOTAL
						CORPS			Loans			Military	
<b>LATIN AMERICA &amp; CARIBBEAN</b>													
Argentina	--	--	--	--	--	699	--	--	--	--	102	--	801
The Bahamas	2,196	--	--	--	700	--	--	--	--	--	11	--	711
Belize	19,786	30,995	21,119	14,892	16,100	2,194	--	--	--	2,967	439	--	108,492
Bolivia	--	--	--	--	400	--	--	--	--	--	96	--	496
Brazil	--	--	--	--	--	1,741	--	--	--	--	97	--	1,838
Chile	--	172	--	--	20,000	--	--	--	--	7,700	900	--	28,772
Colombia	3,257	--	989	--	--	2,085	--	--	--	--	101	--	6,432
Costa Rica	10,719	--	4,852	--	--	2,704	--	--	--	300	308	--	18,883
Dominican Republic	9,625	--	3,059	--	500	3,330	--	--	130	--	379	--	17,023
Ecuador	31,025	25,400	15,731	--	2,000	680	--	--	--	--	400	--	57,505
El Salvador	15,577	11,200	15,731	6,000	--	3,433	--	--	180	--	36	--	47,977
Guatemala	1,559	1,000	732	15,000	--	--	--	--	--	--	5	--	9,476
Guyana	25,982	36,875	27,711	15,000	--	3,038	--	--	300	--	524	--	105,568
Haiti	19,060	--	13,356	11,000	600	2,243	--	--	--	201	201	--	48,978
Honduras	8,929	--	--	--	--	--	--	--	--	201	201	--	12,273
Jamaica	500	--	5,379	--	--	--	--	--	--	--	--	--	6,080
Mexico	29,889	47,841	3,062	13,026	--	1,121	--	--	--	--	--	--	94,939
Nicaragua	4,346	--	139	--	--	1,293	--	--	--	--	--	--	3,778
Panama	--	--	--	--	--	3,253	--	--	--	--	89	--	3,342
Paraguay	21,612	16,000	81,862	23,000	8,400	--	--	--	--	--	--	--	150,894
Peru	--	--	--	--	--	--	--	--	--	--	--	--	--
Suriname	--	--	--	--	--	--	--	--	--	100	10	--	110
Trinidad/Tobago	--	--	--	--	--	--	--	--	--	--	167	--	1,733
Uruguay	--	--	--	--	400	1,566	--	--	--	--	195	--	595
Venezuela	--	--	--	--	--	3,268	--	--	390	--	239	--	7,632
Caribbean Regional	3,735	--	--	--	--	--	--	--	--	524	--	--	524
PACAMS	--	--	--	--	--	--	--	--	--	--	--	--	--
ROCAR	6,903	--	--	--	--	--	--	--	--	--	--	--	6,903
JAC Regional	53,083	3,419	--	--	4,100	--	--	--	--	--	--	--	60,602
Potential Source & Transit Initiative	--	--	--	--	--	--	--	--	--	--	--	--	--
Andean Narcotics Initiative	267,783	172,902	178,011	82,918	53,200	33,889	--	--	--	12,227	5,074	--	[94,306] 806,004
Total													



	14-FEB-95		FY 1994 U.S. ECONOMIC & MILITARY ASSISTANCE - ACTUAL OBLIGATIONS										Table SA			
	(DOLLARS THOUSANDS)		DA	ESF	TITLE II	TITLE III	NARCS	CORPS	PEACE	OTHER	FMF	FMF	Grants	IMET	Other Military	TOTAL
Carry in from prior FY																
FDAP			(79,539)													(79,539)
DFA			(62,997)													(62,997)
Sahel			(8,226)													(8,226)
International Disaster Assistance			(15,689)													(15,689)
African Disaster Assistance			(1,064)													(1,064)
MSED Program			(242)													(242)
Economic Support Fund			(421,701)						(204,486)							(421,701)
SAI									(641,897)							(641,897)
NIS			(8,671)													(8,671)
Operating Expenses			(1,287)													(1,287)
Operating Expenses - Inspector General			(4,210)													(4,210)
Trust Fund								(9,000)								(9,000)
Demobilization & Transition Fund																
Carry over into next fiscal year																
FDAP			154,504													154,504
DFA			84,560													84,560
Sahel			1,588													1,588
International Disaster Assistance			32,123													32,123
MSED Program			58													58
Sub-Saharan Africa Disaster Assistance			163													163
Economic Support Fund			501,599													501,599
SAI																
NIS			21,953						113,195							21,953
Operating Expenses			3,997						308,201							3,997
Operating Expenses - Inspector General			2,426													2,426
Trust Fund																
Demobilization & Transition Fund									16,907							16,907
Centr. Amer. Reconciliation									123							123
Reimbursements			(2,351)													(2,351)
Recoveries			(209,255)						(23,860)							(209,255)
Returned to Treasury			41,323													41,323
TOTAL ADJUSTMENTS			(50,836)						(440,817)							(551,156)

FY 1995 U.S. ECONOMIC & MILITARY ASSISTANCE - ESTIMATED OBLIGATIONS											Table 5B			
(DOLLARS THOUSANDS)	DA11	ESF	SAUNIS	PL 480			NARCS	PEACE CORPS	OTHER ECON	FMF Loans	FMF Grants	IMET	Other Military	TOTAL
				TITLE II	TITLE III	TITLE I								
<b>BILATERAL ASSISTANCE</b>														
Africa	646,763	7,800	254,953	49,000	60,539	-	-	-	-	-	5,130	-	-	1,222,815
Asia & Near East	383,996	2,448,205	3,000	154,025	7,500	7,400	-	-	-	3,107,300	8,285	-	-	8,147,970
Europe & CIS	32,212	200,326	1,562,505	22,438	27,114	400	-	-	-	1,000	7,770	-	-	1,853,767
Latin America & Caribbean	383,951	190,304	143,136	16,000	34,534	53,400	-	19,907	-	15,828	4,785	-	-	858,486
Central PL 480	-	-	246,938	(6,398)	-	-	-	-	-	-	-	-	-	240,380
Global Programs, Field Support & Rese	482,209	-	353	-	-	-	-	-	-	-	-	-	-	482,562
IPR	81,600	-	-	-	-	-	-	-	-	-	-	-	-	81,600
PRC	8,412	-	-	-	-	-	-	-	-	-	-	-	-	8,412
Other	135,904	34,740	12,860	-	82,201	43,500	-	-	47,917	22,150	380	-	-	375,041
Geographic & Central Programs (Africa Fund)	2,337,116	2,862,378	1,578,808	851,100	64,942	105,000	231,345	16,907	47,917	3,146,278	26,350	-	-	11,256,140
(Andean Narcotics Int.)	-	[19,100]	-	-	-	-	-	-	-	-	-	-	-	[888,558]
Supplementals	18,000	-	(76,986)	-	-	-	-	-	302,200	-	-	-	-	[19,100]
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	402,500
Subtotal	2,355,116	2,964,676	1,500,212	821,100	64,942	105,000	231,345	319,107	47,917	3,146,278	26,350	-	-	11,582,044
<b>International Disaster Assistance</b>														
Housing Credit Subsidy	202,121	-	-	-	-	-	-	-	-	-	-	-	-	202,121
Housing Admin	19,300	-	-	-	-	-	-	-	-	-	-	-	-	19,300
Housing Guaranty reestimate	6,000	-	-	-	-	-	-	-	-	-	-	-	-	6,000
Housing Guaranty Liquidating	(2,443)	-	-	-	-	-	-	-	-	-	-	-	-	(2,443)
Housing Guaranty Subsidy	7,316	-	-	-	-	-	-	-	-	-	-	-	-	7,316
MSRD Credit Subsidy	1,900	-	-	-	-	-	-	-	-	-	-	-	-	1,900
MSRD Admin.	558	-	-	-	-	-	-	-	-	-	-	-	-	558
MSRD reestimate	(96)	-	-	-	-	-	-	-	-	-	-	-	-	(96)
Operating Expenses	539,453	-	-	-	-	-	-	-	-	-	-	-	-	539,453
Operating Expenses - IG	39,116	-	-	-	-	-	-	-	-	-	-	-	-	39,116
Foreign Service Retirement	45,116	-	-	-	-	-	-	-	-	-	-	-	-	45,116
Misc. Trust Fund	(8,500)	-	-	-	-	-	-	-	-	-	-	-	-	(8,500)
Misc. Trust Fund Receipts	(8,499)	-	-	-	-	-	-	-	-	-	-	-	-	(8,499)
Econ. Assist. Loans	(21,802)	-	-	-	-	-	-	-	-	-	-	-	-	(21,802)
A.I.D. Loan Liquidating	(547,000)	-	-	-	-	-	-	-	-	-	-	-	-	(547,000)
Adjustments	(287,867)	(513,776)	(421,812)	-	-	-	-	(16,907)	-	-	-	-	-	(1,240,381)
Total USAID	2,358,696	2,460,900	1,078,400	821,100	64,942	105,000	231,345	660,454	47,917	3,181,278	26,350	-	-	8,774,008
Other Bilateral Assistance 2/	-	-	-	-	-	105,000	231,345	660,454	47,917	3,181,278	26,350	-	-	(1,010,626)
TOTAL: BILATERAL ASSISTANCE	2,358,696	2,460,900	1,078,400	821,100	64,942	105,000	232,101	1,182,854	47,917	3,181,278	26,350	-	-	10,468,713
<b>MULTILATERAL ASSISTANCE</b>														
IMDS's	-	-	-	-	-	-	-	-	-	-	-	-	-	1,827,895
IO & P	-	-	-	-	-	-	-	-	-	-	-	-	-	374,000
TOTAL: MULTILATERAL	-	-	-	-	-	-	-	-	-	-	-	-	-	2,201,895
TOTAL ECONOMIC ASSISTANCE	2,358,696	2,460,900	1,078,400	821,100	64,942	105,000	232,101	3,364,548	-	-	-	-	-	10,475,608
<b>MILITARY ASSISTANCE</b>														
Global	-	-	-	-	-	-	-	-	-	-	-	-	-	3,220,546
Other 2/	-	-	-	-	-	-	-	-	47,917	3,146,278	26,350	-	-	(1,010,626)
TOTAL MILITARY ASSISTANCE	-	-	-	-	-	-	-	-	47,917	3,151,278	26,350	-	-	(1,010,626)
TOTAL ECONOMIC & MILITARY ASSISTANCE	2,358,696	2,460,900	1,078,400	821,100	64,942	105,000	232,101	3,364,548	47,917	3,181,278	26,350	-	-	(1,010,626)

1/ DA Bureau and country levels in this series of tables include distributions of central and regional programs

2/ See last page of this series of tables for details

## FY 1995 U.S. ECONOMIC &amp; MILITARY ASSISTANCE - ESTIMATED OBLIGATIONS

(DOLLARS THOUSANDS)

	DA 11	ESF	SA/INIS	TITLE II	TITLE III --PL 480--	NARCS	PEACE CORPS	OTHER ECON	FMF Loans	FMF Grants	IMET	Other Military	TOTAL
AFRICA													
Angola	5,008	--	--	16,624	--	--	--	--	--	--	100	--	21,632
Benin	17,703	--	--	2,508	--	--	1,581	--	--	--	450	--	21,892
Botswana	3,109	--	--	--	--	--	3,116	--	--	--	--	--	6,675
Burkina Faso	2,141	--	--	9,951	--	--	1,050	--	--	--	100	--	13,142
Burundi	5,741	--	--	25,727	--	--	--	--	--	--	--	--	31,568
Cameroon	2,341	--	--	--	--	--	2,713	--	--	--	75	--	5,054
Cape Verde	1,904	--	--	3,536	--	--	1,103	--	--	--	175	--	6,618
Central African Republic	2,898	--	--	--	--	--	1,679	--	--	--	175	--	4,752
Chad	2,812	--	--	1,381	--	--	1,382	--	--	--	175	--	5,750
Comoros	370	--	--	--	--	--	622	--	--	--	--	--	992
Congo	1,200	--	--	--	--	--	878	--	--	--	175	--	2,253
Cote d'Ivoire	332	--	--	--	--	--	1,564	--	--	--	150	--	2,046
Dibouti	101	--	--	--	--	--	--	--	--	--	120	--	221
Equatorial Guinea	55	--	--	--	--	--	--	--	--	--	200	--	55
Eritrea	13,184	--	--	6,194	--	--	1,004	--	--	--	200	--	20,582
Ethiopia	40,415	--	--	44,194	40,000	--	978	--	--	--	250	--	125,837
Gabon	142	--	--	--	--	--	2,853	--	--	--	--	--	3,095
Gambia	1,721	--	--	2,071	--	--	2,005	--	--	--	--	--	5,216
Ghana	41,224	--	--	7,089	--	--	1,155	--	--	--	200	--	50,468
Guinea-Bissau	21,468	--	--	31	--	--	1,257	--	--	--	175	--	23,838
Guinea	5,303	--	--	3,163	--	--	1,257	--	--	--	75	--	9,798
Kenya	33,847	--	--	7,310	--	--	2,903	--	--	--	280	--	44,340
Lesotho	3,018	--	--	--	--	--	2,593	--	--	--	50	--	5,661
Liberia	23	--	--	30,319	--	--	--	--	--	--	--	--	30,342
Madagascar	29,700	--	--	3,098	--	--	1,041	--	--	--	--	--	33,839
Malawi	46,762	--	--	17,150	--	--	1,857	--	--	--	125	--	65,894
Mali	35,185	--	--	--	--	--	3,342	--	--	--	155	--	38,682
Mauritania	1,078	--	--	711	--	--	1,329	--	--	--	--	--	3,118
Mauritius	113	--	--	48	--	--	--	--	--	--	--	--	161
Mozambique	43,809	--	--	13,741	8,000	--	2,265	--	--	--	125	--	65,675
Namibia	12,393	--	--	--	--	--	2,863	--	--	--	200	--	14,778
Niger	24,018	--	--	--	--	--	645	--	--	--	--	--	27,081
Nigeria	21,170	--	--	--	--	--	--	--	--	--	--	--	21,815
Rwanda	5,732	3,000	--	20,210	--	--	818	--	--	--	75	--	28,942
Sao Tome & Principe	405	--	--	--	--	--	2,851	--	--	--	600	--	3,298
Senegal	25,551	--	--	--	--	--	524	--	--	--	--	--	29,002
Seychelles	180	--	--	--	--	--	--	--	--	--	--	--	704
Sierra Leone	782	--	--	1,976	--	--	--	--	--	--	50	--	2,808
Somalia	5,841	--	--	5,378	--	--	--	--	--	--	--	--	11,228
South Africa	134,876	--	--	--	--	--	--	--	--	--	250	--	135,226
Sudan	6,155	--	--	22,220	--	--	1,249	--	--	--	--	--	27,220
Tanzania	44,012	--	--	--	--	--	2,072	--	--	--	50	--	44,454
Togo	2,285	--	--	2,055	--	--	1,937	--	--	--	100	--	50,369
Uganda	44,007	--	--	3,696	--	--	1,283	--	--	--	--	--	4,277
Zambia	26,339	--	--	--	--	--	1,104	--	--	--	150	--	49,146
Zimbabwe	30,212	4,800	--	--	--	--	1,705	--	--	--	250	--	32,167
Africa Regional	42,754	--	--	--	--	--	--	--	--	--	--	--	47,554
Hom of Africa	14,663	--	--	--	--	--	--	--	--	--	--	--	14,863
So. Afr. Reg/SADCC	31,682	--	--	--	--	--	--	--	--	--	--	--	31,682
REDSO/E	1,311	--	--	--	--	--	--	--	--	--	--	--	1,311
REDSO/W	11,530	--	--	--	--	--	--	--	--	--	--	--	11,530
Total	846,783	7,800	--	254,563	48,000	--	60,539	--	--	--	5,130	--	1,222,815

## FY 1995 U.S. ECONOMIC &amp; MILITARY ASSISTANCE - ESTIMATED OBLIGATIONS

	(DOLLARS THOUSANDS)										TOTAL		
	DA11	ESF	SAUNIS	TITLE II	TITLE III	NARCS	PEACE CORPS	OTHER ECON	FMF Loans	FMF Grants		IMET	Other Military
ASIA & NEAR EAST													
Afghanistan				12,000									12,000
Algeria											75		75
Bahrain											75		75
Bangladesh	40,571			22,689	7,500						175		70,935
Bhutan				194									194
Burma	100												100
Cambodia	13,993	19,500									200		33,693
China							730						730
Egypt				1,113,289							1,000		2,414,289
Fiji													1,882
India	71,636			101,068							200		172,904
Indonesia	80,301			3,753									84,054
Israel													3,000,000
Jordan	6,860	7,200											22,160
Kiribati							614				1,000		614
Laos						2,200							2,200
Lebanon											400		16,032
Malaysia	7,993	7,639									500		500
Maldives											50		50
Marshall Islands							798						798
Micronesia							1,822						1,822
Mongolia	8,442						1,013				100		9,555
Morocco	18,508						2,548				800		21,856
Nepal	24,075						2,542				100		26,717
Oman											110		110
Pakistan	9,000					2,500							11,500
Papua New Guinea											125		1,960
Philippines	39,313			13,316							1,195		55,628
Singapore											20		20
Solomon Islands											100		1,441
South Korea											10		10
South Pacific											100		14,000
Sri Lanka	10,391			1,005							1,000		12,506
Thailand						1,250							5,502
Tonga											50		985
Tunisia							1,814				800		2,814
Vanuatu							662				50		712
West Bank/Gaza	2,372	75,451											77,823
Western Samoa											50		1,253
Yemen	8,600						1,203						9,732
ASEAN	1,855						1,132						1,955
ANE Regional	39,588	2,128				1,450							43,164
S.E. Asia Contingency	500												500
Near East Regional		10,000	3,000										13,000
Total	383,998	2,449,205	3,000	154,025	7,500	7,400	26,957			3,107,300	8,285		6,147,670

## FY 1995 U.S. ECONOMIC &amp; MILITARY ASSISTANCE - ESTIMATED OBLIGATIONS

EUROPE & CIS (DOLLARS THOUSANDS)	DA 11	ESF	SAINIS	TITLE III		NARCS	CORPS	PEACE	OTHER	ECON	FNF Loans	FNF Grants	INMET	Other Military	TOTAL
				TITLE II	PL 480										
EUROPE															
Albania			38,138				1,349						200		39,687
Austria													15		15
Balkics							2,639								2,639
Bosnia-Herzegovina			26,530		22,438								70		49,038
Bulgaria			39,237				1,196						400		40,833
Croatia			14,204										65		14,269
Cyprus		15,000													15,000
Czech Republic			21,286				1,844						500		23,430
Estonia			3,489										200		3,689
Finland													15		15
Greece									[255,150]				50		50
Hungary			36,841				2,241						700		41,782
Ireland	19,898	19,600													39,188
Latvia			9,662										200		9,862
Lithuania			17,896										200		18,096
Macedonia (Former Yugoslav Rep.)			14,952										125		15,077
Malta													700		700
Poland			96,262				3,599				1,000		500		101,877
Portugal													500		500
Romania			43,408				1,362						468		45,238
Slovak Republic			33,116				1,251						350		34,715
Slovenia			6,316										125		6,441
Spain													50		50
Tunary	7,554	168,728													174,882
Ukraine	4,300		62,080												66,380
Eastern Europe Regional	31,462	200,328	465,455		22,438		400				[364,500]	1,000			742,345
Total							400	15,277				1,000	5,995		
NIS															
Armenia			41,416				1,213								42,629
Azerbaijan			9,973												9,973
Belarus			7,050										100		7,150
Georgia			26,878										75		26,753
Kazakhstan			55,031				1,962						100		57,093
Kirghizstan			28,206				1,128						50		27,384
Moldova			28,655				964						50		29,889
Russia			512,865				3,032						700		516,397
Tajikistan			9,550												9,550
Turkmenistan			8,048										50		8,098
Ukraine			187,208				2,277						600		190,085
Uzbekistan			13,718										50		13,768
N.I.S. Regional	760		172,652												173,412
Total	760		1,097,050				11,837						1,775		1,111,422

Table 5B

## FY 1995 U.S. ECONOMIC &amp; MILITARY ASSISTANCE - ESTIMATED OBLIGATIONS

	(DOLLARS THOUSANDS)	DA 11	ESF	SAUNIS	TITLE II	TITLE III	NARCS	PEACE CORPS		OTHER ECON	FMF Loans	FMF Grants	IMET	Other Military	TOTAL
								CORPS	ECON						
LATIN AMERICA & CARIBBEAN															
Argentina	--	--	--	--	--	--	--	--	--	--	--	--	100	--	100
The Bahamas	--	--	--	--	--	700	--	1,260	--	--	--	--	--	--	700
Belize	2,164	--	--	--	--	--	--	2,220	--	--	--	--	40	--	3,464
Bolivia	30,670	12,750	--	19,945	--	13,000	--	--	--	--	2,829	--	350	--	81,764
Brazil	13,545	--	--	--	--	600	--	--	--	--	--	--	100	--	14,245
Chile	2,575	--	--	--	--	--	--	1,898	--	--	--	--	100	--	4,573
Colombia	6,388	850	--	--	--	19,000	--	--	--	--	10,000	--	600	--	36,848
Costa Rica	2,518	--	--	1,186	--	--	--	1,937	--	--	--	--	50	--	5,691
Dominican Republic	9,949	--	--	3,796	--	--	--	2,527	--	--	--	--	200	--	16,472
Ecuador	10,581	--	--	185	--	500	--	3,358	--	--	--	--	300	--	14,904
El Salvador	24,238	41,791	--	--	--	--	--	863	16,907	--	--	--	400	--	84,199
Guatemala	21,009	6,900	--	--	--	2,500	--	3,461	--	--	--	--	200	--	48,245
Guyana	1,177	--	--	707	3,000	--	--	805	--	--	--	--	75	--	5,764
Haiti Peacekeeping	60,762	79,051	--	32,470	10,000	--	--	--	--	--	3,000	--	--	--	185,283
Honduras	--	15,500	--	--	3,000	--	--	3,082	--	--	--	--	325	--	15,500
Jamaica	17,538	--	--	5,784	--	600	--	2,190	--	--	--	--	170	--	29,729
Mexico	11,964	--	--	--	--	--	--	--	--	--	--	--	200	--	14,924
Nicaragua	40,708	10,999	--	6,154	--	--	--	1,535	--	--	--	--	100	--	47,062
Panama	20,029	--	--	4,670	--	--	--	1,323	--	--	--	--	--	--	37,333
Paraguay	3,031	3,953	--	--	--	--	--	3,115	--	--	--	--	--	--	8,307
Peru	3,185	--	--	59	--	--	--	--	--	--	--	--	125	--	6,484
Uruguay	27,611	5,500	--	54,005	--	12,000	--	--	--	--	--	--	325	--	99,441
Venezuela	--	--	--	--	--	--	--	--	--	--	--	--	50	--	50
Caribbean Regional	--	--	--	--	--	500	--	1,588	--	--	--	--	100	--	1,688
PACAMS	1,206	--	--	--	--	--	--	3,372	--	--	--	--	250	--	750
ROCAP	--	--	--	--	--	--	--	--	--	--	--	--	200	--	4,778
LAC Regional	9,147	--	--	--	--	--	--	--	--	--	--	--	425	--	425
Environ. Initiat. for the Americas	41,004	13,010	--	--	--	4,000	--	--	--	--	--	--	--	--	9,147
Total	383,591	190,304	--	143,136	16,000	53,400	--	34,534	16,907	--	15,829	--	4,785	--	858,486

## FY 1996 U.S. ECONOMIC &amp; MILITARY ASSISTANCE - ESTIMATED OBLIGATIONS

Table 5B

OTHER	(DOLLARS THOUSANDS)	DA 11	ESF	SAINIS	PL 480			PEACE CORPS	OTHER ECON	FMF Loans	FMF Grants	IMET	Other Military	TOTAL
					TITLE II	TITLE III	NARCS							
Administrative Costs							82,201			22,150	380		104,731	
Loan subsidy									47,917				47,917	
International Organizations													6,500	
Interregional Aviation Support													24,000	
Law Enforcement & Training						6,500							6,500	
Program Development & Support						7,000							7,000	
Crime			5,000			6,300							6,300	
Special Concerns		130,904	29,740	12,950									5,000	
													173,593	
<b>Central P.L. 480:</b>														
Contingency Fund						312							312	
Emergency Programs					211,890								211,890	
WFP Unallocated					56,034								56,034	
Stock Adjustment					(12,030)								(12,030)	
Ocean Freight					[104,488]								[104,488]	
Buydown					(12,096)								(12,096)	
Farmer to Farmer					1,542	130							1,772	
PVO Administration					13,500								13,500	
DOT Reflows					(12,000)	(7,000)							(19,000)	
Adjustment for rounding					(2)								(2)	
<b>TOTAL CENTRAL PL 480</b>					246,938	(6,558)							240,380	
<b>Other Bilateral Assistance</b>														
Enterprise for the Americas														
Debt Restructuring														
Development Fund								7,000					7,000	
Trade & Development Program								71,000					71,000	
Inter-American Foundation								30,986					30,986	
African Development Foundation								16,905					16,905	
Peace Corps Trust Fund							756						756	
Migration & Refugee Assistance								671,000					671,000	
Emergency Refugee & Migration Fund								50,000					50,000	
Anti-Terrorism Assistance								15,244					15,244	
Peacekeeping Operations								74,150					74,150	
Non-Proliferation & Disarmament								10,000					10,000	
P.L. 480 Title I loan subsidy & admin. ex								194,758					194,758	
P.L. 480 Title I transport costs								29,000					29,000	
North American Development Bank								56,250					56,250	
Misc. Trust Funds - DOT Receipts								(505)					(505)	
OPIC loan subsidy & admin. exp.								106,944					106,944	
OPIC insurance activities								(168,531)					(168,531)	
P.L. 480 Food for Progress								83,598					83,598	
P.L. 480 subsidy reestimate								74,110					74,110	
P.L. 480 Liquidating Account								(504,515)					(504,515)	
Foreign Currency Loan Repayments								(22,900)					(22,900)	
<b>TOTAL Other Bilateral</b>							756	850,454					851,210	
<b>OTHER MILITARY ASSISTANCE</b>														
FMF Receipts													(565,823)	
FMF Liquidating Account													(496,603)	
Military to Military Contact													12,000	
FMF Demining										5,000			5,000	
Special Defense Acquisition Fund													(282,000)	
<b>TOTAL Other Military</b>										5,000			(1,005,628)	

31 Special concerns includes funds to be allocated for special concerns such as Vitamin A, orphans, and prostheses

Table 5B

FY 1995 U.S. ECONOMIC & MILITARY ASSISTANCE - ESTIMATED OBLIGATIONS  
 —PL 480—

(DOLLARS THOUSANDS)	DA 11	ESF	SA/INIS	TITLE II	TITLE III	NARCS	PEACE CORPS	OTHER ECON	FMF Loans	FMF Grants	IMET	Other Military	TOTAL
Carry in from prior FY													
FDAAP	(131,733)												(131,733)
DFA	(33,199)												(33,199)
Sahel	(1,588)												(1,588)
International Disaster Assistance	(32,123)												(32,123)
African Disaster Assistance	(163)												(163)
MSED Program	(58)												(58)
Economic Support Fund		(478,475)											(478,475)
SAI			(113,195)										(113,195)
NIS			(308,201)										(308,201)
Operating Expenses													
Operating Expenses - Inspector General	(21,953)												(21,953)
Demobilization & Transition Fund								(16,907)					(16,907)
Recoveries						(12,177)							(12,177)
Reimbursements												(309)	(309)
Section 517 authority carry-forward	(66,741)					(23,124)							(89,865)
TOTAL ADJUSTMENTS	(287,867)	(513,776)	(421,812)					(16,907)					(1,240,361)

Table 6

**FY 1996 BUDGET REQUEST**  
**INTERNATIONAL ORGANIZATIONS AND PROGRAMS**  
(in thousands of dollars)

	FY 1994	FY 1995	FY 1996
	ACTUAL	ESTIMATE	REQUEST
<b>BUILDING DEMOCRACY</b>	<b>3,800</b>	<b>3,700</b>	<b>4,800</b>
UN Vol Fund for Advisory Services and Techn1 Coop	0	1,025	1,100
UN Vol Fund for Victims of Torture	1,500	1,500	500
UN Trust Fund for South Africa	0	0	0
UN Educational & Training Progm for Southern Africa	1,300	175	0
OAS Fund for Strengthening Democracy	1,000	1,000	3,000
<b>PROMOTING SUSTAINABLE DEVELOPMENT</b>	<b>328,828</b>	<b>330,300</b>	<b>355,400</b>
<b>Broad-Based Economic Growth</b>	<b>230,628</b>	<b>222,300</b>	<b>231,200</b>
UN Development Program (UNDP)	118,257 1/	118,000	118,000
UN Capital Development Fund (UNCDF)	3,000	1,100	1,000
UNDP Capacity 21	2,000	0	0
UN Development Fund for Women (UNIFEM)	1,000	1,000	1,000
UNICEF	100,000	100,000	103,000
World Food Program	3,000	3,000	2,500
Afghanistan Emergency Trust Fund	2,000	500	500
International Fund for Agricultural Development (IFAD)	271	0	5,000
UN Industrial Dev Org/Investment Promotion Service	500	500	0
UN Fellowship Program	250	100	100
ICAO Aviation Security Fund	100	100	100
Int'l Research & Training Inst for Advmt. of Women	250	0	0
<b>Stabilization of World Population Growth</b>	<b>40,000</b>	<b>50,000</b>	<b>55,000</b>
UN Population Fund (UNFPA)	40,000	50,000	55,000
<b>Protection of Global Environment</b>	<b>47,200</b>	<b>47,000</b>	<b>58,200</b>
UNEP Environment Fund	21,000	15,000	16,000
UNEP-Related Activities	1,000	1,000	1,000
Montreal Protoco/ Multilateral Fund	15,000	20,750	27,250
Habitat	400	300	300
Int'l Union for Conservation of Nature (IUCN)	1,000	1,000	1,000
Int'l Tropical Timber Organization (ITTO)	1,000	1,000	1,000
Convntn on Int'l Trade in Endangered Species (CITES)	1,000	1,000	1,000
Ramsar Convention on Wetlands	750	750	750
UN Framework Convention on Climate Change (UNFCCC)	250	250	3,000
Intergovernmental Panel on Climate Change (IPCC)	300	400	600
Int'l Contributions for Scntific, Educal & Cultural Actvts	2,000	2,050	2,050
World Heritage Fund	450	450	450
World Meteorological Org/Voluntary Cooperation Program	2,250	2,250	3,000
World Meteorological Org/Spl Fund for Climate Actvts	800	800	800
<b>Support for Democratic Participation</b>	<b>11,000</b>	<b>11,000</b>	<b>11,000</b>
OAS Development Assistance Programs	11,000	11,000	11,000
<b>PROMOTING PEACE</b>	<b>80,000</b>	<b>40,000</b>	<b>65,000</b>
<b>Non-Proliferation and Disarmament</b>			
Int'l Atomic Energy Agency (IAEA) Voluntary Programs	30,000	40,000	43,000
Korean Energy Development Organization (KEDO)	0	0	22,000
<b>Grand Totals</b>	<b>362,628</b>	<b>374,000</b>	<b>425,000</b>

1/ Of which \$2 million was transferred from the Economic Support Fund

Table 7A

FY 1996  
Congressional Presentation  
P.L. 480 Title III

Region/Country	FY 1994 Actual Program Levels		FY 1995 Current Program Levels		FY 1996 Proposed Program Levels	
	(\$MIL)	MTN(000)	(\$MIL)	MTN(000)	(\$MIL)	MTN(000)
Asia - TOTAL	69.8	279.2	7.5	39.4	—	—
Bangladesh	44.8	184.2	7.5	39.4	—	—
Sri Lanka	25.0	95.0	—	—	—	—
Latin America - TOTAL	62.9	399.7	16.0	64.2	10.0	28.6
Bolivia	14.9	100.0	—	—	—	—
Guyana	8.0	29.1	3.0	16.5	—	—
Haiti	15.0	35.3	10.0	28.8	10.0	28.6
Honduras	11.0	59.8	3.0	18.9	—	—
Nicaragua	13.0	44.9	—	—	—	—
Peru	23.0	130.5	—	—	—	—
Africa - TOTAL	86.4	342.7	48.0	233.8	44.7	215.3
Ethiopia	44.7	210.1	40.0	196.1	34.0	165.0
Ghana	8.3	22.4	—	—	—	—
Guinea	9.0	25.0	—	—	—	—
Mozambique	15.0	70.2	8.0	37.8	10.7	50.2
Uganda	9.4	15.1	—	—	—	—
PROGRAM TOTAL	239.1	1021.6	71.5	337.3	54.7	243.9
Farmer-To-Farmer Contingency Fund a/	0.5		0.1		0.1	
DOT Reimbursement	—		0.3		0.2	
Transfer from Title I	(6.6)		(7.0)		(5.0)	
Transfer to Title II	(3.4)		—		—	
	25.5		—		—	
APPROPRIATION	280.1		157.4		50.0	
RESCISSION	(25.0)		(92.5) b/		—	
POST-RESCISSION	255.1		64.9		50.0	
Includes estimated freight costs of	(64.1)		(26.4)		(21.9)	

a/ To provide flexibility in responding to unplanned logistics costs.

b/ Proposed.

**FY 1996  
Congressional Presentation  
P.L. 480 Title II  
Dollars (in Thousands)**

Region/Country	FY 94 Final Program Levels				FY 95 Current Program Levels <sup>a/</sup>				FY 96 Congressional Presentation			
	Total	Transport	PVOICDO	Commodity WFP b/ IEFRR c/	Total	Transport	PVOICDO	Commodity WFP b/ IEFRR c/	Total	Transport	PVOICDO	Commodity WFP b/ IEFRR c/
<b>ASIA</b>	187,866	47,419	104,414	36,033	154,024	47,346	89,500	17,179	106,892	31,383	75,509	—
Afghanistan*	—	—	—	—	12,000	5,500	—	6,500	—	—	—	—
Bangladesh*	36,875	8,505	10,800	17,570	22,669	8,156	10,400	4,133	16,560	6,000	10,560	—
Bhutan	—	—	—	—	194	81	—	113	—	—	—	—
India	118,491	30,347	77,872	10,472	101,068	27,140	68,132	5,796	85,853	23,835	62,018	—
Indonesia	9,512	2,861	3,697	2,955	3,753	1,224	2,530	—	1,863	875	1,188	—
Pakistan	7,108	2,350	—	4,756	—	—	—	—	—	—	—	—
Philippines	15,447	3,202	12,245	—	13,316	4,878	8,439	—	2,615	872	1,743	—
Sri Lanka	433	155	—	278	1,005	368	—	637	—	—	—	—
<b>EUROPE</b>	95,662	39,146	5,059	—	51,456	—	—	—	—	—	—	—
Bosnia-Herzegovina*	86,271	36,400	—	—	49,871	—	—	—	—	—	—	—
Croatia*	8,367	2,437	4,357	—	1,573	—	—	—	—	—	—	—
Slovenia*	1,023	310	702	—	12	—	—	—	—	—	—	—
<b>NEAR EAST</b>	11,975	4,303	980	6,691	—	—	—	—	—	—	—	—
Egypt	9,647	3,445	—	6,202	—	—	—	—	—	—	—	—
Gaza*	793	335	458	—	—	—	—	—	—	—	—	—
Jordan	242	50	—	192	—	—	—	—	—	—	—	—
Morocco	375	78	—	298	—	—	—	—	—	—	—	—
West Bank*	918	396	523	—	—	—	—	—	—	—	—	—
<b>LATIN AMERICA</b>	178,009	51,933	108,685	17,390	143,137	48,064	79,451	15,621	94,256	32,422	61,834	—
Bolivia	21,119	9,918	10,879	321	19,945	10,328	9,618	—	17,898	9,306	8,592	—
Costa Rica	989	191	—	796	1,186	274	—	912	—	—	—	—
Dominican Rep.	4,852	883	3,873	97	3,796	771	2,838	187	3,452	698	2,754	—
Ecuador	3,059	1,064	1,929	45	185	48	—	138	—	—	—	—
Guatemala	15,731	4,041	10,964	725	14,175	3,942	8,822	1,412	9,784	2,784	7,000	—
Guyana	732	231	—	501	707	233	—	473	—	—	—	—
Haiti*	27,711	9,249	17,932	530	32,470	11,671	20,309	490	15,715	4,694	11,021	—
Honduras	13,356	3,898	5,895	3,563	5,784	1,639	3,091	1,054	4,410	1,350	3,060	—
Mexico*	5,379	2,063	—	3,315	6,154	2,550	—	3,624	—	—	—	—
Nicaragua	3,062	643	—	2,420	4,670	967	—	3,703	—	—	—	—
Panama	139	19	—	120	—	—	—	—	—	—	—	—
Paraguay	—	—	—	—	59	8	—	52	—	—	—	—
Peru	81,862	19,714	57,213	4,955	54,005	15,655	34,774	3,576	42,987	13,590	29,407	—

**FY 1996  
Congressional Presentation  
P.L. 480 Title II  
Dollars (in Thousands)**

Region/Country	FY 94 Final Program Levels				FY 95 Current Program Levels a/				FY 96 Congressional Presentation			
	Total		Commodity		Total		Commodity		Total		Commodity	
	Transport	PVOICDO	WFP b/	IEFR c/	Transport	PVOICDO	WFP b/	IEFR c/	Transport	PVOICDO	WFP b/	IEFR c/
<b>AFRICA</b>	467,725	206,144	146,333	43,104	72,145	121,188	84,405	20,321	28,645	83,385	29,322	54,063
Angola*	46,402	23,414	10,757	--	12,230	10,883	2,107	--	3,634	--	--	--
Benin	2,161	578	1,584	--	2,508	734	1,774	--	--	1,963	663	1,300
Botswana	1,698	1,050	--	648	--	--	--	--	--	--	--	--
Burkina Faso	8,911	1,880	7,031	--	--	9,951	4,104	5,736	112	10,823	4,943	5,880
Burundi*	40,302	13,930	--	--	26,372	11,729	--	--	13,969	--	--	--
Cape Verde	3,455	1,125	2,088	242	--	3,536	1,371	1,484	681	2,547	1,063	1,484
C.A.R.	86	45	--	41	--	--	--	--	--	--	--	--
Chad	3,275	1,521	--	1,754	--	1,381	711	--	670	--	--	--
Eritrea*	24,863	11,909	4,137	--	8,817	6,194	2,084	2,562	1,549	4,060	1,038	3,022
Ethiopia*	67,414	28,750	38,665	--	--	44,194	20,095	24,099	--	32,353	11,892	20,461
Gambia	2,162	420	1,742	--	2,071	509	1,563	--	--	2,086	503	1,586
Ghana	8,311	2,934	5,377	--	--	7,080	2,525	4,555	--	8,611	3,192	5,418
Guinea	--	--	--	--	--	37	11	--	26	--	--	--
Guinea Bissau	541	41	500	--	--	3,163	781	688	1,693	907	171	736
Kenya*	20,462	8,927	8,388	3,147	--	7,310	2,486	4,824	--	6,951	2,116	4,834
Lesotho	3,381	1,778	--	1,604	--	--	--	--	--	--	--	--
Liberia*	56,396	17,198	12,475	26,723	--	30,319	11,893	5,019	13,408	--	--	--
Madagascar	3,822	865	2,957	--	3,098	796	2,270	32	--	3,174	858	2,316
Malawi*	8,775	5,875	--	--	2,900	17,150	11,850	--	5,300	--	--	--
Mali	289	108	181	--	--	--	--	--	--	309	133	176
Mauritania	1,346	361	535	450	--	711	205	506	--	--	--	--
Mauritius	--	--	--	--	--	48	14	--	35	--	--	--
Mozambique*	15,966	6,410	9,556	--	--	13,741	5,068	5,158	3,514	--	--	--
Niger	3,979	2,188	--	1,791	--	--	--	--	--	5,870	1,963	3,907
Rwanda*	44,236	22,304	16,796	221	4,914	20,210	14,032	6,178	--	--	--	--
Sao Tome	204	71	--	133	--	--	--	--	--	--	--	--
Sierra Leone*	10,750	4,287	6,463	--	1,976	585	1,391	--	--	--	--	--
Somalia*	16,808	4,801	--	--	12,007	5,378	1,208	4,171	--	--	--	--
Sudan*	66,330	42,294	13,036	6,095	4,905	22,220	13,866	5,777	2,577	--	--	--
Tanzania*	--	--	--	--	--	4,185	2,595	--	1,590	--	--	--
Togo	3,284	736	2,292	256	--	2,055	378	1,527	149	--	--	--
Uganda	2,114	344	1,770	--	--	3,696	675	3,021	--	3,731	788	2,944
<b>WORLDWIDE TOTAL</b>	941,236	348,946	365,471	103,218	123,601	574,160	228,071	253,357	53,120	284,532	93,126	191,406

\* Includes emergency program. Emergency levels are detailed in separate table (EMERGENCY PROGRAMS) on following page.

Table 7B

**FY 1986  
Congressional Presentation  
P.L. 480 Title II  
Dollars (in Thousands)**

Region/Country	FY 84 Final Program Levels			FY 85 Current Program Levels a/			FY 86 Congressional Presentation		
	Total	Transport	WFP b/	Total	Transport	WFP b/	Total	Transport	WFP b/
			Commodity			Commodity			Commodity
			IEFR c/			IEFR c/			IEFR c/
<b>EMERGENCY PROGRAMS</b>									
<b>ASIA</b>									
Afghanistan	2,940	1,050	--	1,890	--	6,500	--	--	--
Bangladesh	--	--	--	1,890	--	6,500	--	--	--
<b>EUROPE</b>									
Bosnia-Herzegovina	95,661	39,146	5,059	--	51,456	--	11,473	--	10,966
Croatia	86,271	36,399	--	--	49,871	--	11,473	--	10,966
Slovenia	8,387	2,437	4,357	--	1,573	--	--	--	--
	1,023	310	702	--	12	--	--	--	--
<b>NEAR EAST</b>									
Gaza	1,711	731	980	--	--	--	--	--	--
West Bank	793	335	458	--	--	--	--	--	--
	918	368	523	--	--	--	--	--	--
<b>LATIN AMERICA</b>									
Haiti	9,161	4,264	4,592	305	--	6,862	--	--	--
Mexico	6,675	4,064	4,592	--	--	6,862	--	--	--
	486	180	--	305	--	--	--	--	--
<b>AFRICA</b>									
Angola	385,350	180,119	96,900	36,186	72,145	37,723	2,716	27,058	--
Burundi	46,402	23,414	10,757	--	12,230	10,863	2,107	3,634	--
Eritrea	40,302	13,930	--	--	26,372	11,729	--	13,969	--
Ethiopia	23,526	11,568	3,113	--	8,817	2,757	1,209	1,549	--
Kenya	43,341	21,144	22,197	--	18,727	9,472	7,255	--	--
Liberia	15,022	7,553	4,323	3,147	--	1,500	832	668	--
Mali	56,396	17,198	12,475	28,723	--	14,127	6,393	5,019	2,716
Mali	8,775	5,875	--	--	2,900	11,850	--	--	5,300
Mozambique	15,966	6,410	9,556	--	8,823	3,664	5,156	--	--
Rwanda	44,236	22,304	16,786	221	4,914	20,210	14,032	6,178	--
Sierra Leone	8,244	3,598	4,646	--	1,976	585	1,391	--	--
Somalia	16,606	4,801	--	--	12,007	5,378	1,208	4,171	--
Sudan	66,331	42,294	13,037	6,095	4,905	22,220	13,866	5,777	2,577
Tanzania	--	--	--	--	4,185	2,595	--	--	1,590

**FY 1996  
Congressional Presentation  
P.L. 480 Title II  
Dollars (in Thousands)**

Region/Country	FY 94 Final Program Levels			FY 95 Current Program Levels			FY 96 Congressional Presentation							
	Total	Transport	PVO/COO	WFP b/	IEFR c/	Commodity	Total	Transport	PVO/COO	WFP b/	IEFR c/	Commodity		
<b>WORLDWIDE</b>														
Regular	941,236	348,946	365,471	103,218	123,601	786,050	332,559	360,759	53,120	39,611	807,117	223,532	433,585	150,000
Emergency	446,412	123,637	257,940	64,837	--	374,484	120,220	208,772	43,905	--	365,004	100,292	204,712	60,000
	494,824	225,310	107,531	36,382	123,601	411,565	212,338	151,987	9,216	38,024	442,113	123,240	228,873	90,000
<b>ASIA</b>														
Regular	187,866	47,419	104,414	36,033	--	154,024	47,346	89,500	17,179	--	106,892	31,383	75,509	--
Emergency	184,926	46,369	104,414	34,143	--	142,024	41,846	89,500	10,679	--	106,892	31,383	75,509	--
	2,940	1,050	--	1,890	--	12,000	5,500	--	6,500	--	--	--	--	--
<b>EUROPE</b>														
Regular	95,662	39,146	5,059	--	51,456	22,438	11,473	--	10,966	--	--	--	--	--
Emergency	--	--	--	--	--	--	--	--	--	--	--	--	--	--
	95,862	39,146	5,059	--	51,456	22,438	11,473	--	10,966	--	--	--	--	--
<b>NEAR EAST</b>														
Regular	11,975	4,303	980	6,691	--	--	--	--	--	--	--	--	--	--
Emergency	10,264	3,573	--	6,691	--	--	--	--	--	--	--	--	--	--
	1,711	731	980	--	--	--	--	--	--	--	--	--	--	--
<b>LATIN AMERICA</b>														
Regular	178,008	51,933	108,685	17,390	--	143,137	48,064	79,451	15,621	--	94,256	32,422	61,834	--
Emergency	168,848	47,669	104,093	17,085	--	131,119	42,908	72,590	15,621	--	94,256	32,422	61,834	--
	9,161	4,264	4,592	305	--	12,018	5,156	6,862	--	--	--	--	--	--
<b>AFRICA</b>														
Regular	467,725	206,144	146,333	43,104	72,145	254,560	121,188	84,405	20,321	28,645	83,385	29,323	54,063	--
Emergency	82,375	26,025	49,433	6,917	--	101,340	35,466	46,682	17,605	1,587	83,385	29,323	54,063	--
	385,350	180,119	96,900	36,186	72,145	153,220	85,722	37,723	2,716	27,058	--	--	--	--
<b>UNALLOCATED BALANCE:</b>														
Total	--	--	--	--	--	211,890	104,488	107,402	--	--	372,584	130,405	242,180	--
PVO Non-Emergency	--	--	--	--	--	--	--	--	--	--	20,471	7,165	13,306	--
Greater Horn of Africa Non-Emergency	--	--	--	--	--	--	--	--	--	--	352,113	123,240	228,873	--
Emergency	--	--	--	--	--	211,890	104,488	107,402	--	--	--	--	--	--

**FY 1986**  
**Congressional Presentation**  
**P.L. 480 Title II**  
**Dollars (in Thousands)**

Table 7B

Region/Country	FY 94 Final Program Levels		FY 95 Current Program Levels a/		FY 96 Congressional Presentation	
	Transport	Commodity PVO/COO WFP b/ IEFR c/	Transport	Commodity PVO/COO WFP b/ IEFR c/	Transport	Commodity PVO/COO WFP b/ IEFR c/
Stock Adjustment	(21,444)		(12,030)		(14,505)	
PVO Failout	(9,060)		---		---	
FY 93 Funding	(55,758)		(12,096)		---	
FY 95 Funding	12,096		(12,000)		(12,000)	
DOT Reflows	(12,000)		56,034		---	(see worldwide WFP)
WFP Unallocated	---		13,500		13,500	
Section 202(a)	13,458		1,642		1,591 d/	
Farmer To Farmer	11,643		---		---	
Transfer from Title I	(33,100)		---		---	
Transfer from Title III	(25,500)		---		---	
<b>PROGRAM TOTAL</b>	<b>821,571</b>		<b>821,100</b>		<b>795,703</b>	

a/ As of January 1985  
 b/ USAID approves World Food Program (WFP) distribution so as to assure we are in compliance with all laws and provides broad financial overview to ensure U.S. funds are appropriately accounted for  
 c/ International Emergency Food Reserve (IEFR), implemented by WFP  
 d/ Final level dependent upon Farm Bill reauthorization.

**FY 1996  
Congressional Presentation  
P.L. 480 Title II  
Metric Tons**

Region/Country	FY 94 Final Program Levels				FY 95 Current Program Levels a/				FY 96 Congressional Presentation			
	Total	PVO/CDO	WFP b/	IEFR c/	Total	PVO/CDO	WFP b/	IEFR c/	Total	PVO/CDO	WFP b/	IEFR c/
<b>ASIA</b>	557,477	363,744	193,733	—	441,448	346,288	95,160	—	287,042	287,042	—	—
Afghanistan*	—	—	—	—	50,000	—	50,000	—	—	—	—	—
Bangladesh*	190,990	80,000	110,990	—	107,910	80,000	27,910	—	80,000	80,000	—	—
Bhutan	—	—	—	—	360	—	360	—	—	—	—	—
India	247,013	219,020	27,993	—	212,621	195,731	16,890	—	191,063	191,063	—	—
Indonesia	35,866	13,976	21,890	—	14,668	14,668	—	—	9,000	9,000	—	—
Pakistan	30,800	—	30,800	—	—	—	—	—	—	—	—	—
Philippines	50,748	50,748	—	—	50,989	50,989	—	—	6,979	6,979	—	—
Sri Lanka	2,060	—	2,060	—	4,900	4,900	—	—	—	—	—	—
<b>EUROPE</b>	206,590	12,390	—	194,200	48,140	—	—	48,140	—	—	—	—
Bosnia-Herzegovina*	187,900	—	—	187,900	48,140	—	—	48,140	—	—	—	—
Croatia*	16,250	10,000	—	6,250	—	—	—	—	—	—	—	—
Slovenia*	2,440	2,390	—	50	—	—	—	—	—	—	—	—
<b>NEAR EAST</b>	31,850	3,270	28,580	—	—	—	—	—	—	—	—	—
Egypt	27,560	—	27,560	—	—	—	—	—	—	—	—	—
Gaza*	1,500	1,500	—	—	—	—	—	—	—	—	—	—
Jordan	400	—	400	—	—	—	—	—	—	—	—	—
Morocco	620	—	620	—	—	—	—	—	—	—	—	—
West Bank*	1,770	1,770	—	—	—	—	—	—	—	—	—	—
<b>LATIN AMERICA</b>	444,012	345,589	98,423	—	390,242	314,872	75,370	—	254,944	254,944	—	—
Bolivia	51,897	50,114	1,583	—	46,547	46,547	—	—	41,358	41,358	—	—
Costa Rica	1,525	—	1,525	—	2,190	—	2,190	—	—	—	—	—
Dominican Rep.	7,069	6,949	120	—	6,073	5,583	490	—	5,583	5,583	—	—
Ecuador	14,390	14,290	100	—	380	—	380	—	—	—	—	—
Guatemala	42,792	37,007	5,785	—	41,736	29,846	11,890	—	25,546	25,546	—	—
Guyana	1,850	—	1,850	—	1,870	—	1,870	—	—	—	—	—
Haiti*	65,844	64,164	1,680	—	77,240	75,340	1,900	—	37,548	37,548	—	—
Honduras	46,912	20,512	26,400	—	15,888	10,188	5,700	—	13,835	13,835	—	—
Mexico*	26,000	—	26,000	—	33,690	—	33,690	—	—	—	—	—
Nicaragua	6,020	—	6,020	—	9,280	—	9,280	—	—	—	—	—
Panama	150	—	150	—	—	—	—	—	—	—	—	—
Paraguay	—	—	—	—	60	—	60	—	—	—	—	—
Peru	179,763	152,553	27,210	—	155,288	146,988	8,300	—	131,074	131,074	—	—

FY 1996  
Congressional Presentation  
P.L. 480 Title II  
Metric Tons

Region/Country	FY 94 Final Program Levels				FY 95 Current Program Levels a/				FY 96 Congressional Presentation			
	Total	PVO/CDO	WFP b/	IEFR c/	Total	PVO/CDO	WFP b/	IEFR c/	Total	PVO/CDO	WFP b/	IEFR c/
<b>AFRICA</b>	966,559	577,089	154,150	235,320	599,873	351,633	88,730	159,510	219,607	219,607	—	—
Angola*	76,233	39,733	—	36,500	32,850	12,850	—	20,000	—	4,750	4,750	—
Benin	4,937	4,937	—	—	6,937	6,937	—	—	—	—	—	—
Botswana	6,000	—	8,000	—	—	—	—	—	—	—	—	—
Burkina Faso	21,581	21,581	—	—	22,101	21,781	320	—	23,081	23,081	—	—
Burundi*	48,130	—	—	48,130	44,720	—	—	44,720	—	—	—	—
Cape Verde	18,760	18,000	760	—	17,190	14,000	3,190	—	14,000	14,000	—	—
C.A.R.	200	—	—	—	—	—	—	—	—	—	—	—
Chad	6,760	—	6,760	—	3,160	—	3,160	—	—	—	—	—
Eritrea*	65,402	23,902	—	41,500	17,151	9,861	—	7,290	12,343	12,343	—	—
Ethiopia*	178,181	178,181	—	—	105,378	105,378	—	—	68,118	68,118	—	—
Gambia	4,075	4,075	—	—	3,983	3,983	—	—	4,020	4,020	—	—
Ghana	34,606	34,606	—	—	31,491	31,491	—	—	37,868	37,868	—	—
Guinea	—	—	—	—	90	—	90	—	—	—	—	—
Guinea Bissau	1,000	1,000	—	—	6,250	1,370	4,880	—	1,370	1,370	—	—
Kenya*	45,156	28,656	15,500	—	24,112	24,112	—	—	24,418	24,418	—	—
Lesotho	7,900	—	—	—	—	—	—	—	—	—	—	—
Liberia*	98,160	29,660	68,500	—	74,480	18,250	58,230	—	—	—	—	—
Madagascar	6,918	6,918	—	—	6,145	6,035	110	—	6,863	6,863	—	—
Malawi*	25,000	—	—	25,000	50,000	—	—	50,000	—	—	—	—
Milli	729	729	—	—	—	—	—	—	722	722	—	—
Mauritania	2,641	1,641	1,000	—	1,641	1,641	—	—	—	—	—	—
Mauritius	—	—	—	—	110	—	110	—	—	—	—	—
Mozambique*	50,320	50,320	—	—	41,490	24,260	17,230	—	18,555	18,555	—	—
Niger	12,020	—	12,020	—	—	—	—	—	—	—	—	—
Rwanda*	57,970	33,770	250	23,950	29,420	29,420	—	—	—	—	—	—
Sao Tome	570	—	570	—	—	—	—	—	—	—	—	—
Sierra Leone*	21,982	21,982	—	—	4,680	4,680	—	—	—	—	—	—
Somalia*	24,000	—	—	24,000	7,500	—	—	7,500	—	—	—	—
Sudan*	135,460	66,440	32,800	36,240	43,235	28,235	—	15,000	—	—	—	—
Tanzania*	—	—	—	—	15,000	—	—	15,000	—	—	—	—
Togo	9,848	7,958	1,890	—	7,259	5,849	1,410	—	—	—	—	—
Uganda	2,000	2,000	—	—	3,500	3,500	—	—	3,500	3,500	—	—
<b>WORLDWIDE TOTAL</b>	<b>2,206,488</b>	<b>1,302,082</b>	<b>474,886</b>	<b>429,520</b>	<b>1,479,703</b>	<b>1,012,793</b>	<b>259,260</b>	<b>207,650</b>	<b>761,594</b>	<b>761,594</b>	<b>—</b>	<b>—</b>

\* Includes emergency program. Emergency levels are detailed in separate table (EMERGENCY PROGRAMS) on following page.

FY 1996  
Congressional Presentation  
P.L. 480 Title II  
Metric Tons

Table 7B

Region/Country	FY 94 Final Program Levels				FY 95 Current Program Levels a/				FY 96 Congressional Presentation			
	Total	PVO/CDO	WFP b/	IEFR c/	Total	PVO/CDO	WFP b/	IEFR c/	Total	PVO/CDO	WFP b/	IEFR c/
<b>EMERGENCY PROGRAMS</b>												
<b>ASIA</b>	14,000	—	14,000	—	50,000	—	50,000	—	—	—	—	—
Afghanistan	—	—	—	—	50,000	—	50,000	—	—	—	—	—
Bangladesh	14,000	—	14,000	—	—	—	—	—	—	—	—	—
<b>EUROPE</b>	208,590	12,390	—	194,200	48,140	—	—	48,140	—	—	—	—
Bosnia-Herzegovina	187,900	—	—	187,900	48,140	—	—	48,140	—	—	—	—
Croatia	16,250	10,000	—	6,250	—	—	—	—	—	—	—	—
Slovenia	2,440	2,390	—	50	—	—	—	—	—	—	—	—
<b>NEAR EAST</b>	3,270	3,270	—	—	—	—	—	—	—	—	—	—
Gaza	1,500	1,500	—	—	—	—	—	—	—	—	—	—
West Bank	1,770	1,770	—	—	—	—	—	—	—	—	—	—
<b>LAC</b>	17,430	16,330	1,100	—	26,300	26,300	—	—	—	—	—	—
Haiti	16,330	16,330	—	—	26,300	26,300	—	—	—	—	—	—
Mexico	1,100	—	1,100	—	—	—	—	—	—	—	—	—
<b>AFRICA</b>	744,963	392,613	117,050	235,320	339,075	165,335	14,230	199,510	—	—	—	—
Angola	78,233	39,733	—	38,500	32,850	12,850	—	20,000	—	—	—	—
Burundi	48,130	—	—	48,130	44,720	—	—	44,720	—	—	—	—
Eritrea	62,030	20,530	—	41,500	7,290	—	—	7,290	—	—	—	—
Ethiopia	121,410	121,410	—	—	45,840	—	—	—	—	—	—	—
Kenya	32,440	16,940	15,500	—	3,800	—	—	—	—	—	—	—
Liberia	96,160	28,660	66,500	—	30,480	16,250	14,230	—	—	—	—	—
Malawi	25,000	—	—	25,000	50,000	—	—	50,000	—	—	—	—
Mozambique	50,320	50,320	—	—	24,260	—	—	—	—	—	—	—
Rwanda	57,970	33,770	250	23,950	29,420	—	—	—	—	—	—	—
Sierra Leone	13,610	13,610	—	—	4,660	—	—	—	—	—	—	—
Somalia	24,000	—	—	24,000	7,500	—	—	7,500	—	—	—	—
Sudan	135,460	66,440	32,800	38,240	43,235	28,235	—	15,000	—	—	—	—
Tanzania	—	—	—	—	15,000	—	—	—	—	—	—	—

Table 7B

**FY 1996  
Congressional Presentation  
P.L. 480 Title II  
Metric Tons**

Region/Country	FY 94 Final Program Levels				FY 95 Current Program Levels a/				FY 96 Congressional Presentation			
	Total	PVO/CDO	WFP b/	IEFR c/	Total	PVO/CDO	WFP b/	IEFR c/	Total	PVO/CDO	WFP b/	IEFR c/
<b>WORLDWIDE</b>	2,206,488	1,302,082	474,896	429,520	1,429,703	1,012,793	209,260	207,650	1,876,419	1,501,419	375,000	—
Regular	1,220,215	877,479	342,736	—	1,018,188	821,158	195,030	—	967,193	817,193	150,000	—
Emergency	986,273	424,603	132,150	429,520	413,515	191,635	14,230	207,650	909,226	684,226	225,000	—
<b>ASIA</b>	557,477	363,744	183,733	—	391,448	346,288	45,160	—	287,042	287,042	—	—
Regular	543,477	363,744	178,733	—	391,448	346,288	45,160	—	287,042	287,042	—	—
Emergency	14,000	—	14,000	—	—	—	—	—	—	—	—	—
<b>EUROPE</b>	206,590	12,390	—	194,200	48,140	—	—	48,140	—	—	—	—
Regular	—	—	—	—	—	—	—	—	—	—	—	—
Emergency	206,590	12,390	—	194,200	48,140	—	—	48,140	—	—	—	—
<b>NEAR EAST</b>	31,850	3,270	28,580	—	—	—	—	—	—	—	—	—
Regular	28,580	—	28,580	—	—	—	—	—	—	—	—	—
Emergency	3,270	3,270	—	—	—	—	—	—	—	—	—	—
<b>LATIN AMERICA</b>	444,012	345,588	98,423	—	380,242	314,872	75,370	—	254,944	254,944	—	—
Regular	428,582	329,259	97,323	—	363,942	288,572	75,370	—	254,944	254,944	—	—
Emergency	17,430	16,330	1,100	—	26,300	26,300	—	—	—	—	—	—
<b>AFRICA</b>	866,559	577,089	154,150	235,320	599,873	351,633	88,730	159,510	219,607	219,607	—	—
Regular	221,576	184,476	37,100	—	260,798	186,298	74,500	—	219,607	219,607	—	—
Emergency	744,983	392,613	117,050	235,320	339,075	165,335	14,230	159,510	—	—	—	—
<b>UNCOMMITTED BALANCE:</b>	—	—	—	—	—	—	—	—	739,526	55,600	—	—
Total	—	—	—	—	—	—	—	—	—	—	—	—
PVO Non-Emergency	—	—	—	—	—	—	—	—	—	—	—	—
Greater Horn of Africa Non-Emergency	—	—	—	—	—	—	—	—	—	—	—	—
Emergency	—	—	—	—	—	—	—	—	—	—	—	—
Stock Adjustment	(114,339)	—	—	—	(114,773)	—	—	—	(114,239)	—	—	—
WFP Unallocated	2,092,148 (MT)	—	—	—	1,416,410 (MT)	—	—	—	1,762,180 (MT)	—	—	—
<b>PROGRAM TOTAL</b>	2,312,400 (MTGE)	—	—	—	1,592,541 (MTGE)	—	—	—	1,981,307 (MTGE)	—	—	—

a/ As of January 1995  
b/ USAID approves World Food Program (WFP) distribution so as to assure we are in compliance with all laws and provides broad financial overview to ensure U.S. funds are appropriately accounted for  
c/ International Emergency Food Reserve (IEFR), implemented by WFP

**EXPORT-IMPORT BANK OF THE UNITED STATES**



**REPORT TO THE CONGRESS  
ON EX-IM BANK'S BUDGET ESTIMATES  
FISCAL YEAR ENDING SEPTEMBER 30, 1996**

**MARCH 1995**

**EXPORT-IMPORT BANK OF THE UNITED STATES**  
**FISCAL YEAR 1996 BUDGET REQUEST**

**CONTENTS**

<b>BOARD OF DIRECTORS AND OFFICERS.....</b>	<b>2</b>
<b>FISCAL YEAR 1996 BUDGET REQUEST.....</b>	<b>3</b>
<b>LIMITATION ON PROGRAM ACTIVITY.....</b>	<b>10</b>
<b>COMPARATIVE STATEMENT OF ADMINISTRATIVE EXPENSES.....</b>	<b>11</b>
<b>POSITION WITH RESPECT TO LENDING, GUARANTEE AND INSURANCE AUTHORITY.....</b>	<b>12</b>

BOARD OF DIRECTORS

Kenneth D. Brody.....	President and Chairman of the Board
Martin A. Kamarck.....	First Vice President and Vice Chairman
Rita M. Rodriguez.....	Director
Maria Luisa Haley.....	Director
Julia D. Belaga.....	Director

OFFICERS

Kenneth D. Brody.....	President and Chairman
Martin A. Kamarck.....	First Vice President and Vice Chairman
Carol F. Lee.....	General Counsel
Raymond J. Albright.....	Senior Vice President
Richard J. Feeney.....	Senior Vice President
James K. Hess.....	Chief Financial Officer
Patricia Delaney.....	Secretary

## EXPORT-IMPORT BANK OF THE UNITED STATES

FISCAL YEAR 1996 BUDGET REQUEST

The Export-Import Bank is chartered by Congress by the Export-Import Bank Act of 1945, as amended. Its basic purpose is to assist in financing the export sale of U.S. goods and services. The Bank's authority and resources are used to assume commercial and political risks that exporters or private sector institutions are unable to undertake, overcome limitations in private sector export financing, assist U.S. exporters to meet foreign officially sponsored export credit competition, and provide leadership and guidance in export financing to the U.S. exporting and banking communities and to foreign borrowers. The Bank is also actively assisting small and medium-size businesses to increase their exports.

To accomplish its objectives the Bank is requesting appropriations totaling \$870 million for fiscal year 1996. Specifically, the Bank is requesting:

- o an appropriation of \$723 million for the cost of providing loan, guarantee, and insurance commitments,
- o an appropriation of \$100 million specifically for tied aid grants,
- o an appropriation of \$47 million for administrative expenses

These levels provide for an increase over probable FY 1995 activity levels. The FY 1995 enacted levels are:

- o an appropriation of \$686.6 million for the cost of providing loan, guarantee, and insurance commitments,
- o an appropriation of \$100 million specifically for tied aid grants,
- o an appropriation of \$45.2 million for administrative expenses.

## BUDGET REFORM FOR CREDIT PROGRAMS

The Federal Credit Reform Act of 1990 introduced major changes in the way federal credit programs are treated in the budget. Credit reform attempts to institute a consistent and comparable basis of measuring the costs of cash and credit transactions by recognizing and appropriating the subsidy costs of the program up front. The essence of credit reform is to separate the subsidy costs from the nonsubsidized cash flows of credit transactions and to focus on the former for budgeting and analysis.

Under the current treatment all appropriations for subsidy costs arising from direct loan obligations and loan guarantee commitments made in FY 1992 and beyond will be recorded in program accounts shown in the budget. In FY 1996, Ex-Im is requesting several appropriations totaling \$870 million for the estimated costs of providing loans and guarantees and for the Bank's administrative expenses. The appropriation for loans, tied aid grants, guarantees, and insurance activity is \$823 million; of which up to \$100 million may be used for tied aid grants; and a \$47 million appropriation is requested for administrative expenses.

### **SUBSIDY CALCULATION**

The subsidy was calculated using a model developed by OMB. The projected cash flows were generated using estimates of average disbursement and repayment patterns, and interest and fee income. These cash flows were then adjusted for possible defaults using the OMB estimated risk premium for various risk categories. The resulting projected net cash flows were then discounted to arrive at a present value subsidy for the budgeted level of activity.

The subsidy appropriation for program activity represents the Bank's best estimate of the potential costs of the FY 1996 credit programs over time. The appropriation provides a reserve for contingencies, defaults, and losses in future years. Given all of the economic and financial variables which could change, the Bank believes that the total appropriation requested for its credit programs will be sufficient to meet critical demand.

### **MULTI-YEAR AUTHORITY**

The Bank's FY 1995 appropriation provides for a two year commitment period for \$786.5 million and provides that \$100 million may be used for Tied Aid purposes and is available until expended. The Bank's FY 1996 budget also requests that the \$823 million subsidy appropriation remain available for two years with the \$100 million request for tied aid grants remaining available until expended.

## REINVENTING EX-IM BANK

During the past two years, a variety of Ex-Im bank task forces have examined virtually all aspects of the Bank's programs and the way that those programs are administered with the objective of making the Bank a more efficient and effective supporter of U. S. exports. These task forces have made a number of recommendations which have been vetted within the Bank and the exporting community.

The Bank's budget reflects the intent to make the Bank's subsidy appropriation have the maximum possible impact on increasing U. S. exports. In particular, the Bank will increase its exposure in more risky markets where U.S. exporters' need for the Bank is the greatest and will pursue a more aggressive use of funds budgeted for tied aid. The Bank intends to stretch its subsidy to support such activities through fee adjustments, encouraging limited risk sharing, and tightening programs such as the Credit Guarantee Facilities.

## IMPLEMENTATION

Ex-Im's activity is shown in four different budget accounts:

Liquidating Account - this account shows activity for obligations incurred prior to FY 1992. Outlays from the activity in this account are counted in the budget totals and affect the government deficit. For FY 1995, outlays are projected to be a negative \$5.9 million and for FY 1996, a negative \$624.2 million.

Program Account - this account shows the amount of the FY 1996 subsidy by program and the estimated activity supported by the subsidy. The direct loan subsidy is \$97,900 thousand based on an estimated loan level of \$5,307 million for a subsidy rate of 1.84%. Tied-aid authorizations are estimated at \$100 million. Since these are 100% grants, the subsidy is \$100 million. The guarantee and insurance subsidy is \$658,300 thousand based on an estimated authorization level of \$15,210 million for a subsidy rate of 4.33%. The subsidy amounts will be "disbursed" to the financing accounts (described below) over time as loan disbursements and claim payments are made on the underlying transactions. The amount of the subsidy disbursed in a given year to the financing accounts will be counted as outlays in the budget totals and will affect the government deficit. For FY 1996 these outlays are estimated to be \$669.6 million.

Loan Financing Account - The loan financing account will show all of the cash flows associated with loans authorized in FY 1992 and beyond; disbursements, repayments, interest income, interest expense, and subsidy payments from the program account. The outlays, or net cash flows of the financing account will not be counted in the budget totals and will not affect the total government deficit.

Guarantee Financing Account - Identical to the loan financing account except that it will reflect the cash flows for the government associated with the guarantee and insurance programs.

### DIRECT CREDIT PROGRAM

The direct credit program addresses the inability of the private sector to offer financing for U.S. capital goods exports on terms sufficiently competitive to enable a sale to go forward when compared to financing offered by foreign official export credit agencies to their exporters. By addressing this problem, the U.S. Government attempts to ensure that U.S. exporters do not suffer widespread losses of export sales as a result of subsidized financing offers by other governments to their exporters.

The decision to operate subsidized U.S. Government supported direct credit program is based on a belief that the long-run benefits to the U.S. economy resulting from U.S. capital goods manufacturers being competitive from a financing standpoint with their foreign counterparts outweigh the costs of offering subsidized credits to finance such exports. That is, the economic benefit of a subsidized direct loan program arises from using the program's resources to neutralize the effect of export credit subsidies offered by other governments. If Ex-Im targets its resources to those export transactions which face such foreign credit competition, the Bank permits foreign buyers' purchase decisions to be based on market factors (price, technology, service) as opposed to a non-market factor (the availability of subsidized credit from a foreign government). To the extent that Ex-Im activities allow market forces to determine purchase decisions, Ex-Im helps to maintain the optimal level of U.S. productivity by ensuring that U.S. capital goods industries operate at market-determined (not foreign government determined) output levels.

The interest rates charged by Ex-Im bank are the minimum rates adopted by member nations of the Organizations of Economic Cooperation and Development (OECD). The OECD interest rate system was revised effective February 15, 1992 to significantly reduce the subsidy in lending by official export credit agencies. For most markets, the minimum interest rates are now based on a system which more closely reflects market rates. These rates which change monthly, are based on average U.S. Treasury bond rates plus a spread and are calculated as follows:

<u>Repayment Period</u>	<u>Formula</u>	<u>Current Rates</u>	
		<u>2/15/95</u>	<u>3/14/95</u>
Up to 5 yrs.	3-yr. Treasury rate + 1%	8.66	
over 5 - 8.5 yrs.	5-yr. Treasury rate + 1%	8.76	
over 8.5 yrs.	7-yr. Treasury rate + 1%	8.79	

For the poorest countries (OECD country category III) an alternate minimum interest rate continues to exist based on the weighted average of interest rates on government bond issues of the following countries: U.S., U.K., Japan, Germany, France. This rate is subject to review semiannually and may be used if lower than the applicable market-based rate above. The rate of 7.35% is currently in effect and applicable through July 14, 1995.

Interest rates for aircraft loans are reviewed every two weeks. At February 28 they were 8.80% for loans up to 10 years and 9.35% for loans over 10 years. Due to the market related nature of aircraft financing, credit support is generally offered under the Financial Guarantee Program rather than Direct Loan Program to effectively meet foreign competition.

#### TIED AID GRANTS

Ex-Im bank's tied aid is reviewed annually. In FY 1993 the Bank committed \$26.7 million for tied aid cases. The FY 1993 Appropriation Act permitted the Bank to carry-over into FY 1994 up to \$200 million of that year's appropriation to be used for tied aid purposes. The Bank's actual carry-over totaled \$121.4 million.

In FY 1994 the Bank did not obligate any of the \$171.4 million appropriation available in FY 94 for tied aid (the \$121.4 million carryover plus the \$50 million additional provided in the FY 1994 Appropriations Act). The Bank expects to commit \$100 million in FY 1995 and FY 1996 for tied aid grants with an anticipated carryover from FY 1996 into FY 1997 of \$171.4 million.

#### GUARANTEE AND INSURANCE PROGRAMS

The Bank increases private financial participation in U.S. export sales by guaranteeing or insuring banks and exporters against certain commercial and political risks of non payment involved in export transactions. Since financing is a critical element in many export sales, the guarantee and insurance programs help exporters increase their export sales through increased availability of financing from private capital markets.

The exporter insurance program encourages additional exports by overcoming financing and risk perception constraints by efficiently providing risk protection for those exports requiring short-term (up to 180 days) and medium-term (up to five years) credit terms and for which private sector credit insurance is not available. At the present time the capacity of the private sector to offer export credit insurance is limited, indicating an important role for the Bank in this area, particularly with regard to small and medium-size businesses.

For FY 1996 it is estimated that guarantee and insurance authorizations will be \$15,210 million.

FINANCIAL CONDITION

At the end of FY 1994, the Bank's reserve for possible loan and claim losses amounted to \$4.1 billion. The reserve is based on the Bank's evaluation of its loan, guarantee, and insurance portfolio taking into consideration a variety of factors, including repayment status of loans, assessment of future risks, and worldwide economic and political conditions. The \$4.1 billion reserve, composed of \$2.5 billion for loans and \$1.6 billion for guarantee and insurance claims is equal to about 40% of the Bank's outstanding loans and outstanding and pending guarantee and insurance claims.

It is important to emphasize that a loss reserve does not mean that loans are written off. It is simply a recognition that because of current economic conditions, the prospects at this point in time for full collection of some loans and guarantees is sufficiently far into the future that a reduced value for these types of loans should be recorded in the Bank's financial statements. This is reviewed on a semiannual basis and adjustments are made to the reserve as appropriate.

The provision for loan and claim loss reduced the Bank's gross income in FY 1994 by \$902.8 million. This added to an operating loss of \$22.8 million resulting in a total reported net loss for FY 1994 of \$806.3 million. Beginning in FY 1992 the Bank receives permanent indefinite appropriations for the purpose of paying principal and interest due the Federal Financing Bank. The estimated amount to be used for FY 1995 is \$890 million. The amount for FY 1996 is \$100 million.

The existence of a loan loss reserve will not change the analysis of judgments currently being made to approve or deny new loan applications. Since the inception of the Bank, in order to approve a new loan, the Board of Directors has had to determine that the loan provides reasonable assurance of repayment. This criteria will continue to be met.

Operating losses during the period 1982 to 1993 were caused for the most part by negative interest rate spreads. This was caused by foreign export credit agencies offering interest rates lower, at times substantially lower, than Ex-Im Bank's cost of funds. To counter foreign competition, Ex-Im Bank was forced to match these lower interest rates and then borrow at much higher rates to fund them. Indeed, in 1986, Congress mandated that Ex-Im Bank offer competitive interest rates.

Ex-Im Bank strongly supported negotiations to implement rules that would avoid interest rate mismatches. The OECD did not adopt such rules until 1991, and implementation did not become complete until this year. During this 15 year period of skewed competition Ex-Im Bank incurred "losses" due to interest rate mismatches of \$4.5 billion. Significant interest rate mismatches should not occur again barring sudden, dramatic movements in US interest rates. Rather we have achieved an international arrangement where interest rates will be tied to Ex-Im Bank's cost of borrowing.

ADMINISTRATIVE EXPENSES

The administrative expense budget of the Bank provides funding for personnel, support services, and operating expenses. The Bank's FY 1996 budget requests an appropriation of \$47,000,000 for administrative expenses that will support a full-time equivalent personnel level of 436. Of the \$47,000,000 requested, \$32,105,000 (68%) is for compensation and benefits, \$3,713,000 (7.9%) is for rent of office space, \$1,143,000 (2.4%) is for computer system development and computer upgrades, \$1,484,000 (3.2%) is for travel. The remaining balance of \$8,555,000 will be used for necessary operating expenses such as telecommunications, purchases of supplies, support services, equipment leasing and maintenance, printing, postage, and other service contracts.

The Bank is committed to providing necessary services to the exporting community on a timely basis, increasing debt collection efforts, processing claim payments expediently and recovering those payments to the fullest extent possible, providing a thorough portfolio and risk analysis on a regular basis, reaching new exporters and expanding small business awareness of their export potential, and continuing an intensive Management Information System effort which will provide critical information to help management evaluate risk, target program resources and evaluate program results. The requested increase in the administrative expense appropriation is planned to be used to continue and complete the reinvention process.

## EXPORT-IMPORT BANK OF THE UNITED STATES

BUDGET REQUEST  
(\$ in thousands)

	FY 1995 Estimate	FY 1995 Subsidy Budget Authority	FY 1996 Estimate	FY 1996 Subsidy Budget Authority
<b>LOAN AUTHORIZATIONS:</b>				
Regular Loans	\$ 4,567,000	\$ 58,000	\$ 5,307,000	\$ 97,700
War Chest	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
<b>TOTAL</b>	\$ 4,667,000	\$ 158,000	\$ 5,407,000	\$ 197,900
Loan Modifications		\$ 10,000		\$ 10,000
<b>GUARANTEE AND INSURANCE AUTHORIZATIONS:</b>				
Guarantees	\$ 9,600,000	\$ 385,400	\$10,561,000	\$ 531,900
Insurance	<u>4,740,000</u>	<u>172,800</u>	<u>4,649,000</u>	<u>126,400</u>
<b>TOTAL</b>	<u>\$14,340,000</u>	<u>\$ 558,200</u>	<u>\$15,210,000</u>	<u>\$ 658,300</u>
<b>GRAND TOTAL</b>	<u>\$19,007,000</u>	<u>\$ 726,200</u>	<u>\$20,617,000</u>	<u>\$ 866,200</u>

## EXPORT-IMPORT BANK OF THE UNITED STATES

Comparative Statement of Administrative Expenses  
(\$ thousands)

	FY 1994 <u>Actual</u>	FY 1995 <u>Estimated</u>	FY 1996 <u>Estimated</u>
Personnel compensation:			
Full-Time in permanent positions.....	\$22,608	\$23,005	\$23,528
Non Full-Time in permanent positions....	839	854	873
Overtime.....	213	217	222
All Other.....	<u>2,450</u>	<u>2,493</u>	<u>2,550</u>
	<u>26,110</u>	<u>26,569</u>	<u>27,173</u>
Personnel benefits contribution:			
Retirement.....	2,706	2,664	2,645
Health benefits.....	1,020	1,004	997
Employee life insurance.....	40	39	39
FICA taxes.....	1,106	1,089	1,081
All Other.....	<u>173</u>	<u>170</u>	<u>170</u>
	<u>5,045</u>	<u>4,966</u>	<u>4,932</u>
Travel and transportation of persons.....	990	1,303	1,484
Transportation of things.....	<u>317</u>	<u>124</u>	<u>157</u>
	<u>1,307</u>	<u>1,427</u>	<u>1,641</u>
Rent, communications and utilities:			
Standard level user charges.....	3,473	3,636	3,713
Communications and other.....	<u>773</u>	<u>1,174</u>	<u>1,455</u>
	<u>4,246</u>	<u>4,810</u>	<u>5,168</u>
Printing and reproduction.....	127	243	244
Other services.....	4,842	4,742	5,437
Supplies and materials.....	932	1,126	1,262
Systems Development & Equipment.....	2,343	1,345	1,143
Total expenses.....	<u>44,952</u>	<u>45,228</u>	<u>47,000</u>
Savings.....	417	-	-
Budget Limitation.....	<u>\$45,369</u>	<u>\$45,228</u>	<u>\$47,000</u>
F.T.E Positions	450	448	436

## EXPORT-IMPORT BANK OF THE UNITED STATES

 POSITION WITH RESPECT TO LENDING,  
GUARANTEE AND INSURANCE AUTHORITY  
 (In millions of dollars)

	1994 <u>Actual</u>	1995 <u>Estimate</u>	1996 <u>Estimate</u>
Statutory authority.....	<u>\$75,000.0</u>	<u>\$75,000.0</u>	<u>\$75,000.0</u>
CHARGES AGAINST AUTHORITY:			
Loan program:			
Outstanding Loans.....	7,484.7	7,942.9	9,550.7
Undisbursed Loans.....	4,754.4	7,804.6	10,399.9
Rescheduled Claims.....	<u>1,874.7</u>	<u>1,500.0</u>	<u>1,000.0</u>
Subtotal.....	<u>14,113.8</u>	<u>17,247.5</u>	<u>20,950.6</u>
Guarantee and Insurance Program:			
Guarantees.....	29,167.5	30,525.1	32,239.5
Insurance.....	<u>12,609.9</u>	<u>14,898.2</u>	<u>16,128.3</u>
Subtotal.....	<u>41,777.4</u>	<u>45,423.3</u>	<u>48,367.8</u>
Total charges against authority.....	<u>\$55,891.2</u>	<u>\$62,670.8</u>	<u>\$69,318.4</u>
Unused authority.....	<u>\$19,108.8</u>	<u>\$12,329.2</u>	<u>\$ 5,681.6</u>

**FOR FISCAL YEAR ENDING SEPTEMBER 30, 1996  
EXPORT-IMPORT BANK OF THE UNITED STATES**

The Export-Import Bank of the United States is authorized to make such expenditures within the limits of funds and borrowing authority available to such corporation, and in accordance with law, and to make such contracts and commitments without regard to fiscal year limitations, as provided by section 104 of the Government Corporation Control Act, as may be necessary in carrying out the program for the current fiscal year for such corporation, Provided, that none of the funds available during the current fiscal year may be used to make expenditures, contracts, or commitments for the export of nuclear equipment, fuel, or technology to any country other than a nuclear-weapon State as defined in Article IX of the Treaty on the Non-Proliferation of Nuclear Weapons eligible to receive economic or military assistance under this Act that has detonated a nuclear explosive after the date of enactment of this Act

**REQUESTED APPROPRIATION FOR PROGRAM ACTIVITY  
FOR FISCAL YEAR ENDING SEPTEMBER 30, 1996  
EXPORT-IMPORT BANK LOANS PROGRAM ACCOUNT**

**SUBSIDY APPROPRIATION**

For the cost of direct loans, loan guarantees, insurance, and tied-aid grants as authorized by section 10 of the Export-Import Bank Act of 1945, as amended, [\$786,551,000] \$823,000,000 to remain available until September 30, [1996] 1997: Provided, That such costs, including the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974: Provided further, That such sums shall remain available until [2010] 2011 for the disbursement of direct loans, loan guarantees, insurance and tied-aid grants obligated in fiscal years [1995] 1996 and [1996] 1997: Provided further, That up to \$100,000,000 of funds appropriated by this paragraph shall remain available until expended and may be used for tied-aid grant purposes: Provided further, That none of the funds appropriated by this paragraph may be used for tied-aid credits or grants except through the regular notification procedures of the Committees on Appropriations: Provided further, That funds appropriated by this paragraph are made available notwithstanding section 2(b)(2) of the Export-Import Bank Act of 1945, in connection with the purchase or lease of any product by any East European country, any Baltic State, or any agency or national thereof.

**ADMINISTRATIVE EXPENSES**

For administrative expenses to carry out the direct and guaranteed loan and insurance programs (to be computed on an accrual basis), including hire of passenger motor vehicles and services as authorized by 5 U.S.C. 3109, and not to exceed [\$20,000] \$25,000 for official reception and representation expenses for members of the Board of Directors, [\$45,228,000] \$47,000,000: Provided, That necessary expenses (including special services performed on a contract or fee basis, but not including other personal services) in connection with the collection of moneys owed the Export-Import Bank, repossession or sale of pledged collateral or other assets acquired by the Export-Import Bank in satisfaction of moneys owed the Export-Import Bank, or the investigation or appraisal of any property, or the evaluation of the legal or technical aspects of any transaction for which an application for a loan, guarantee or insurance commitment has been made, shall be considered nonadministrative expenses for the purposes of this heading: Provided further, That, notwithstanding subsection (b) of section 117 of the Export Enhancement Act of 1992, subsection (a) thereof shall remain in effect until October 1, [1995] 1996. (Foreign Operations, Export Financing, and Related Programs Appropriations Act 1995.)



# **OPIC**

Overseas  
Private  
Investment  
Corporation



## **The Overseas Private Investment Corporation Congressional Presentation**

**Fiscal Year 1996**

(71)

**OVERSEAS PRIVATE INVESTMENT CORPORATION  
FY 1996 BUDGET PRESENTATION  
Table of Contents**

<b>EXECUTIVE SUMMARY OF APPROPRIATIONS REQUEST</b>	<b>1</b>
<b>POLITICAL RISK INSURANCE PROGRAM</b>	<b>4</b>
<b>FINANCE PROGRAM</b>	<b>7</b>
<b>PROGRAM MANAGEMENT AND SUPPORT</b>	<b>11</b>
<b>CONCLUSION</b>	<b>11</b>
Appendix	
I. Appropriations Request	

**EXECUTIVE SUMMARY OF APPROPRIATIONS REQUEST**

For FY 1996, the Administration requests the authority for OPIC to spend \$34 million of its own resources for subsidy to support its global credit program. This will support approximately \$1.1 billion in direct and guaranteed loans (in areas other than the New Independent States (NIS)). As was done last year, this request is in the form of a limitation on amounts to be transferred from OPIC's revolving fund rather than a direct appropriation.

In addition, the Administration requests \$45 million in subsidy as a direct appropriation to support OPIC credit programs in the NIS. This appropriation will support approximately \$690 million in financing activity. This direct funding to OPIC will replace time-consuming transfers from other agencies' appropriations -- the mechanism that was used for funding OPIC's NIS credit program in previous years.

As in FY 1995, OPIC will source its global credit subsidy and administrative expenses from its revolving fund -- consistent with OPIC's statutory authority to operate as a self-sustaining government corporation.

### Summary of OPIC's FY 1996 Budget Request

OPIC's budget request for FY 1996 is outlined below. The program results on page 3 demonstrate the significant leverage of OPIC's budget authority. To implement its programs prudently, OPIC obtained additional personnel resources for FY 1995 and 1996. With the assistance of these increased personnel resources, OPIC is better positioned than ever to achieve positive results. Not only will OPIC achieve the development and economic results listed below, but it will generate \$96.5 million in negative budget authority from its collections to offset the costs of other international affairs programs.

SUMMARY OF OPIC's FY 1996 BUDGET REQUEST				
(\$000's)	FY 1993	FY 1994	FY 1995 Est.	FY 1996 Req.
<b>Funding Sources</b>				
OPIC Offsetting Collections	(161,844)	(184,384)	(204,031)	(227,000)
OPIC Appropriations	(17,928)	(16,583)		
NIS Appropriations				(45,000)
NIS Transfers to OPIC		(56,000)	(60,000)	
Ex-Im Bank Transfers to OPIC		(12,000)		
A.I.D. Transfers <sup>1</sup>	(12,503)	(1,230)	(1,000)	n/a
<b>Uses of Funds</b>				
Administrative Expenses	19,453	20,907	27,322	27,000
Insurance Reserve Expenses	4,877	10,407	10,000	10,000
Global Subsidy Costs	9,800	21,065	33,944	34,000
NIS Subsidy Costs		54,000	57,000	45,000
<b>Net Negative Budget Authority<sup>2</sup></b>	(136,398)	(69,963)	(61,587)	(96,500)
<b>Net Negative Outlays<sup>3</sup></b>	(134,547)	(156,330)	(130,924)	(105,576)
<b>FTE (Personnel)</b>	166	164	182	182

<sup>1</sup> FY 1993 includes funds received in FY 1992 for multi-year programs.

<sup>2</sup> Net Negative Budget Authority is the difference between OPIC's offsetting collections (such as insurance revenue and interest on Treasury Securities) and OPIC's program expenses (obligations).

<sup>3</sup> Net Negative Outlays is the difference between OPIC's offsetting collections and OPIC's cash expenditures.

<b>Program Activity</b> (\$000's)	<u>FY 1993</u>	<u>FY 1994</u>	<u>FY 1995 Est.</u>	<u>FY 1996 Est.</u>
Insurance Issuance	\$2,827,923	\$6,059,677	\$6,500,000	\$8,000,000
Finance Commitments	405,333	1,753,300	2,497,000	1,811,927
<b>Total OPIC Support</b>	<b>\$3,233,256</b>	<b>\$7,812,977</b>	<b>\$8,997,000</b>	<b>\$9,811,927</b>

<b>Program Outcomes</b> (\$000)	<u>FY 1993</u>	<u>FY 1994</u>	<u>FY 1995 Est.</u>	<u>FY 1996 Est.</u>
Total Investment Supported	\$3,684,836	\$11,273,740	\$15,451,000	\$16,188,591
U.S. Exports Generated	\$2,047,286	\$5,520,380	\$6,472,504	\$6,723,036
U.S. BOP Effects*	\$1,766,430	\$5,790,000	\$4,433,662	\$4,754,540
U.S. Person Years of Employment Generated	26,000	89,847	106,473	110,594
Host Country Jobs Created	12,000	15,727	63,453	66,784

\* BOP--Balance of Payments

## **POLITICAL RISK INSURANCE PROGRAM**

OPIC's political risk insurance program represents a highly successful effort to provide long-term "catastrophic risk" protection, unavailable from commercial sources, to U.S. investors on a basis consistent with sound underwriting principles. Without such protection, much potential U.S. investment--and the associated benefits of that investment for host country economies and for U.S. economic and foreign policy interests--would not occur. The insurance program, like OPIC's finance program, is customer-driven and policy-constrained. It must be flexible and responsive to client needs or it will neither provide the protection required for investment to go forward, nor permit OPIC to achieve the balance of portfolio risks that is the essence of prudent underwriting. Like the finance program, it must operate within strict policy guidelines to assure that the benefits of the investment supported are not offset by harmful effects. In reality, OPIC insurance constitutes a bargain between OPIC and investors: OPIC provides a service that would otherwise be unavailable, and in exchange the investor agrees both to pay insurance premiums and to conduct the project in a manner that is consistent with OPIC policy--be it with respect to environmental impact, worker rights, U.S. job protection or other criteria.

The insurance program must respond to investment trends and opportunities. Although it is sometimes difficult to predict the future, it is possible to examine existing trends as a basis for planning for resource requirements in FY 1996.

### **Insurance Program Trends and Developments**

OPIC responds to clients by developing new products and contract forms, as well as by tailoring coverage to meet investor needs. In FY 1994, we completed revision of the institutional lenders contract for financial institutions. This coverage has been used primarily by banks over the past few years as an important tool in facilitating limited recourse project financing. OPIC is working with rating agencies and investment banks to develop coverage that would appeal to the capital markets, a virtually untapped source of new capital for projects sponsored by U.S. investors in developing countries. We anticipate that this will comprise a growing part of the portfolio by FY 1996.

There has also been renewed interest in OPIC's oil and gas coverage, particularly in Russia and the NIS. In anticipation of increased activity, OPIC retained an outside expert to ensure that OPIC staff has a thorough understanding of the oil and gas business and the implications for OPIC's insurance contracts. The results of this study will also be used to revise contracts to provide better coverage to investors during the exploration phase of investment. OPIC anticipates that during the next two years, oil companies will be seeking significant incremental coverage for investment in this sector.

Insurance officers regularly review and revise other contract forms as well. If a contract does not exist to fit a proposed investment format, OPIC will tailor one to the new

requirements. Over the past year, appropriate coverage has been developed for a number of unusual investment structures in Russia and elsewhere. This approach is labor intensive, but client responsive, and is expected to continue to play an important role in the insurance program's business in FY 1996.

To attract a broader book of business from clients with multiple investments, OPIC has also developed a risk sharing arrangement. The purpose of this arrangement is to encourage a given company to insure with OPIC a diversified range of risks in a broad group of countries and to retain additional risk. These arrangements are expected to enhance OPIC's ability to keep existing clients and to improve portfolio balance. OPIC executed the first agreement in FY 1994, and by FY 1996, this new product will be an important tool for maintaining balance in the insurance portfolio.

### **Program Objectives**

OPIC issued over \$6 billion of insurance in FY 1994, a 116 percent increase over the \$2.8 billion issued in FY 1993. For FY 1995, over \$1 billion of approved coverage will be for projects in Russia and the New Independent States. In other regions, new issuance will represent at least a 50 percent increase over last year to maintain appropriate balance in portfolio concentrations. New opportunities in Asia and Latin America are important for this very reason. Since assistance for U.S. private investment in the NIS is an important foreign policy goal, and OPIC expects to continue to be in the forefront of encouraging U.S. business by providing insurance, it is critical that we make the most of opportunities in other regions to maintain adequate balance in the portfolio.

The more insurance that OPIC issues elsewhere in the world, the more it can prudently issue in foreign policy target regions including the NIS, South Africa and Gaza/West Bank. The windows of opportunity in Asia include a number of large infrastructure projects (especially power) that are scheduled for private investment within the next few years. OPIC is well positioned to assist U.S. companies competing for these opportunities.

### Summary of Insurance Activity

The table below provides an overview of the past and projected volume of insurance activity (see definitions below).

(\$000)	Actual FY 1993	Actual FY 1994	Estimate FY 1995	Estimate FY 1996
<b>INSURANCE PROGRAM ACTIVITY</b>				
Aggregate insurance outstanding (MIA), start of year:	\$11,857,282	\$11,991,668	\$16,177,487	\$17,872,759
Aggregate insurance issued during year:	\$2,827,922	\$6,059,677	\$6,500,000	\$8,000,000
Aggregate insurance reductions and cancellations:	(\$2,693,537)	(\$1,873,878)	(\$4,804,708)	(\$5,308,210)
Aggregate insurance outstanding (MIA), end of year:	\$11,991,668	\$16,177,467	\$17,872,759	\$20,564,550
<b>STATUS OF INSURANCE AUTHORITY</b>				
Statutory authority limitation:	\$9,000,000	\$9,000,000	\$13,500,000	\$13,500,000
Maximum contingent liability (MCL), end of year:	\$6,518,871	\$8,229,353	\$9,651,290	\$11,104,857
Current exposure to claims, end of year:	\$4,465,410	\$5,086,836	\$6,612,921	\$7,608,883
<b>Insurance premium revenue</b>	<b>\$44,073</b>	<b>\$48,257</b>	<b>\$55,000</b>	<b>\$65,000</b>

#### Aggregate Maximum Insured Amounts (MIA)

Aggregate MIA is OPIC's primary measurement of issuance. It reflects the face value of all coverage issued.

#### Maximum Contingent Liability (MCL)

MCL is the basis used to measure OPIC's outstanding insurance, which is limited by the statutory authorization in the Foreign Assistance Act. Under most outstanding OPIC contracts, investors may obtain all three coverages--inconvertibility, expropriation, and political violence--but aggregate claim payments may not exceed the single highest coverage amount for each contract. The measurement of MCL is limited accordingly.

#### Current Exposure to Claims

Actual exposure to claim payments is less than total outstanding insurance as measured by MCL, because insured investors elect "current" coverage levels that reflect the current value of their investment, which may be significantly below their maximum insured amount. Thus MCL, like MIA, includes insurance for which OPIC is committed but not currently at risk. Current exposure to claims is based on the assumption that the coverage under which a claim would be brought would be the coverage with the highest amount of current insurance in force.

## FINANCE PROGRAM

Through loan guaranties and direct loans, OPIC provides medium- and long-term project financing to ventures involving significant equity and/or management participation by U.S. businesses. OPIC's Finance program operates as an investment bank, customizing and helping to structure a complete financial package for each project. OPIC works closely with other financial institutions on projects requiring multiple lenders.

OPIC also supports growth funds--unique blends of public and private sectors--through which additional equity capital can be made available to projects involving U.S. investors. The owners of the OPIC-supported growth funds usually are institutional investors, such as insurance companies and pension funds. The managers generally are firms with venture capital investment expertise. OPIC supports them with a guaranty of debt covering a significant portion of their capitalization. OPIC participates in the fund management through advisory boards and may make political risk insurance available to cover the funds' investments.

### Finance Program Trends and Developments

To meet the sizable increases in demand and current investor needs, the amount of financing that OPIC may commit to a single project has been raised to a new maximum limit of \$200 million per project.

We expect the trend toward larger projects will continue in fiscal year 1996. We further expect our average lending per project to increase to over \$80 million in FY 1996. This increase in size is due to the growing percentage of new financing outside the NIS to support large, complex infrastructure projects, primarily in Asia and Latin America. Examples of such projects committed in FY 1994 include two power projects in India, funded in part with OPIC-guaranteed loans totaling \$175 million, which collectively are expected to generate nearly \$1 billion in estimated initial U.S. procurement. Another example is OPIC's FY 1994 commitment of \$200 million in financing to support a portion of a large telecommunications project in Argentina, which has initial U.S. procurement estimated at \$360 million. Because these large projects in other regions produce truly impressive U.S. and developmental effects as well as provide balance for our growing NIS portfolio, we believe they are a very effective use of OPIC's resources.

In addition to the surging demand for large projects, OPIC is also developing new mechanisms for better serving its small business clients. For example, OPIC recently approved a \$20 million direct loan to the Allied International Small Business Fund which will make equity and quasi-equity investments in projects sponsored by U.S. small businesses in OPIC-eligible countries. In Haiti, OPIC recently provided a \$50 million loan guaranty to the Bank of Boston for on-lending to multiple projects, many of which will be sponsored by U.S. small businesses. Other efforts to improve customer service include developing standard documents to streamline the legal process and

consideration of mechanisms by which OPIC could offer an equity component along with OPIC loans or loan guarantees as part of a project finance package.

### **Credit Subsidy**

The Federal Credit Reform Act has had a substantial impact on OPIC's Finance program operations. Prior to Credit Reform, OPIC operated like a commercial lending institution, recording loss reserves and reporting revenues in accordance with Generally Accepted Accounting Principles (GAAP). OPIC's credit management, based on a capital adequacy concept, was considered sound and prudent according to its independent financial auditors.

When Credit Reform was adopted, OPIC's method of operation changed. The primary objective of Credit Reform is to identify the present value of the anticipated long-term costs of loans and guaranties to be issued each year, so that they may be compared more easily with the costs of other federal programs. This cost is referred to as the "subsidy" cost of credit programs. With the advent of Credit Reform, OPIC's focus shifted from overall capital adequacy to the estimation of year by year subsidy.

As it has done each year since the inception of Credit Reform, OPIC analyzed actual cash flows from FY 1980 through FY 1993 and reviewed historical averages in preparing its projections of subsidy costs for the FY 1996 budget. Using this basis, and reflecting the specific industry and geographic trends cited earlier, OPIC has developed different subsidy allocation formulas for its FY 1996 global projects and its projects in the NIS.

Global projects: This category represents OPIC's worldwide portfolio (excluding activities in the NIS) in traditional investment sectors such as oil and gas, agribusiness, mining and manufacturing, plus the burgeoning area of large infrastructure project development. There has been a recent surge of interest on the part of U.S. companies in investing in large infrastructure projects. This increase in infrastructure development, particularly in Asia and Latin America, should also increase the demand for financing for other types of projects since non-infrastructure projects are supported by the presence of better infrastructural components such as transportation, telecommunications, and power generation.

OPIC expects to allocate approximately 30 percent of its global subsidy budget authority to non-infrastructure projects and 70 percent to infrastructure projects (because of their large per-project size). Projects in OPIC's global portfolio are generally lower risk than NIS projects and thus have lower default and higher recovery ratios. The FY 1996 weighted average subsidy for the global projects portfolio is expected to be 3.03 percent.

NIS: While OPIC's portfolio has historically been carefully balanced in terms of regional and industry concentrations, the demand for financing has increased significantly in the New Independent States. In response to this unique demand, and in recognition of the

higher relative risks associated with this region, OPIC has developed separate subsidy assumptions relating specifically to the NIS. This is the first time OPIC has calculated risk on a regional basis, but such action was deemed an important step in recognition of the reality that a large share of OPIC financing is likely to be dedicated to major projects in the region.

The average subsidy for NIS projects is 6.54 percent, more than double the global subsidy rate. The higher subsidy estimate reflects OPIC's conservatism as well as its recognition of the higher political, business and regulatory risks associated with countries simultaneously undergoing both political change and transition to market economies.

### **Program Objectives**

In FY 1994, OPIC committed \$1.7 billion in financing. Of this amount over \$1 billion is supporting projects located in 18 developing countries in Asia, Latin America, Africa and Eastern and Central Europe, with the remaining \$700 million in the NIS. OPIC achieved this extraordinary production volume (more than quadrupling the dollar amount committed the prior year) within existing staffing levels by reallocating existing administrative resources to the finance program.

Recognizing the intensive effort required to manage this expanded portfolio, OPIC has added the additional staff necessary in 1995 and 1996 to complete the project analysis, project reviews, documentation and disbursement of these project loans. The NIS and infrastructure projects in particular are complex, requiring intensive negotiations and specialized due diligence.

Project commitment represents only one stage in the "life cycle" of a loan. Although it is the crucial, early stage during which many critical project issues are identified and resolved, it is followed by other equally important developmental benchmarks. Each of these stages requires the consistent and long-term attention of professional staff. Now, despite the overall trend to reduce the size of the government, the Administration has allocated additional staff to OPIC to manage the remaining stages of the process as prudently as possible.

Each OPIC loan officer must perform wide-ranging duties in order to ensure the quality of the loan portfolio. To reach the "*commitment stage*" of a project, a loan officer must prepare a loan paper, perform comprehensive due diligence, and assure that the project is structured to meet OPIC's credit policy requirements. This stage also involves general research, financial analysis, domestic and international site visits, and procurement of technical experts to assess various aspects of new projects, and pre-commitment negotiations with project sponsors, attorneys and co-lenders.

As projects reach the "*disbursement stage*", following commitment, more detailed negotiation of loan terms and conditions is required. These sessions may include not

only co-lenders and sponsors, but also corporate trust agents, local counsel, sponsor and OPIC counsel, financial advisors, placement agents and government officials.

Following initial disbursement, a project enters the "monitoring stage", and at this time a loan officer closely oversees developments pertaining to each project in his/her assigned portfolio. Monitoring requires the active involvement of a loan officer and, at critical points, an OPIC attorney and Treasury personnel in diverse tasks ranging from approving subsequent loan disbursements, reviewing a project's quarterly financial and operating reports, performing foreign site visits, recommending and approving project changes or amendments, determining compliance with loan terms, and preparing annual reviews and monitoring plans.

The loan officers in the Finance Department are supported by legal counsel, economic and environmental policy analysts, loan administration and portfolio analysis personnel in the Treasury Department, loan workout officers, and the Treasurer's independent credit review function.

### Summary of Finance Request

The table below provides an overview of the past and projected volume of finance activity. OPIC is maintaining a conservative approach to subsidy estimates as program authorities grow and as the nature of its business evolves.

(\$000)	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
	<u>FY 1993</u>	<u>FY 1994<sup>1</sup></u>	<u>FY 1995<sup>2</sup></u>	<u>FY 1996</u>
Global Subsidy BA	\$9,800	\$21,065	\$33,944	\$34,000
Average Global Subsidy Percent	2.42%	2.33%	2.50%	3.03%
New Global Loan Commitments	\$405,333	\$1,054,000	\$1,357,000	\$1,122,000
NIS Subsidy BA	--	\$54,000 <sup>3</sup>	\$57,000	\$45,000
Average NIS Subsidy Percent	--	4.30%	5.00%	6.54%
New NIS Loan Commitments	--	\$699,000 <sup>3</sup>	\$1,140,000	\$688,000
Total Outstanding Finance Portfolio	\$1,367,000	\$2,906,795	\$4,636,012	\$5,752,114
Total Number of Active Projects	110	132	157	179

<sup>1</sup> FY 1994 subsidy includes a \$54 million transfer for the NIS and a \$12 million transfer from Ex-Im Bank.

<sup>2</sup> FY 1995 subsidy includes a \$57 million transfer for the NIS.

<sup>3</sup> \$699 million in NIS commitments occurred in FY 1994. An additional \$450 million associated with FY 1994 subsidy budget authority has been approved.

## **PROGRAM MANAGEMENT AND SUPPORT**

For the first time since the advent of Credit Reform in FY 1992, both the Administration and Congress approved a unified administrative budget for OPIC for FY 1995, funded from OPIC's revolving fund. For the first three years under Credit Reform, OPIC had direct appropriations for its credit activities and separate funding from OPIC's revolving fund for its noncredit programs. The approval of a unified administrative budget allowed for greater synergy among OPIC's internal operations and offered management the flexibility necessary to respond effectively and immediately to changing needs. OPIC also received additional administrative budget authority for fiscal 1995, sufficient to cover the costs of the expanded program activity.

For FY 1996 the Administration again proposes a unified administrative budget funded from OPIC's revolving fund. This is consistent with OPIC's self-sustaining mandate and will help to maintain synergy between the credit and non-credit programs. It also acknowledges the multi-year nature of OPIC's programs and the fact that use of the revolving funds is the most effective means of insuring that the resources essential for prudent credit and insurance operations are available without regard to fiscal year limitations.

## **CONCLUSION**

The FY 1996 OPIC budget proposal represents consensus on the critical role OPIC's trade and investment programs play in today's rapidly globalizing economy. OPIC has taken a leadership role in promoting U.S. investment in new emerging markets. The results speak for themselves in terms of U.S. jobs created, U.S. exports generated and foreign policy goals achieved.

## Appropriations Request

As in FY 1995, OPIC is requesting only a limitation on the amount of subsidy it can incur in its global credit program rather than a direct appropriation for that purpose. OPIC proposes language similar to that approved in FY 1995, which provided that funds will be derived from the agency's reserves for all worldwide programs. In addition, OPIC requests a direct appropriation of subsidy budget authority to fund the Finance program in the NIS.

### NONCREDIT ACCOUNT

The Overseas Private Investment Corporation is authorized to make, without regard to fiscal year limitations, as provided by 31 U.S.C. 9104, such expenditures and commitments within the limits of funds available to it and in accordance with law as may be necessary (including an amount for official reception and representation expenses which shall not exceed \$35,000): *Provided*, That project-specific transaction costs, including direct and indirect costs incurred in claims settlements, and other direct costs associated with services provided to specific investors or potential investors pursuant to section 234 of the Foreign Assistance Act of 1961, shall not be considered administrative expenses for the purposes of this heading.

### PROGRAM ACCOUNT

For the cost of direct and guaranteed loans, \$34,000,000, as authorized by section 234 of the Foreign Assistance Act of 1961, to be derived by transfer from the Overseas Private Investment Corporation Noncredit Account: *Provided*, That such costs, including the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974: *Provided further*, That such sums shall be available for direct loan obligations and loan guaranty commitments incurred or made during fiscal years 1996 and 1997: *Provided further*, That such sums shall remain available through fiscal year 2004 for the disbursement of direct and guaranteed loans obligated in fiscal year 1996, and through fiscal year 2005 for the disbursement of direct and guaranteed loans obligated in fiscal year 1997. For the cost of the direct and guaranteed loans in the New Independent States of the Former Soviet Union, \$45,000,000, to remain available until expended, as authorized by section 234 of the Foreign Assistance Act of 1961. In addition, sums for administrative expenses to carry out the credit program may be derived from amounts made available for administrative expenses to carry out the credit and insurance programs in the Overseas Private Investment Corporation Noncredit Account and merged with said account.



# TDA

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CONGRESSIONAL PRESENTATION  
Fiscal Year 1996



## U.S. TRADE AND DEVELOPMENT AGENCY

March 1, 1995

To the United States Congress:

We at the U.S. Trade and Development Agency (TDA) are pleased to submit to you our budget request for FY 1996. The Agency is administered under the authority of Section 661 of the Foreign Assistance Act of 1961, as amended, most recently by the Jobs Through Exports Act of 1992.

The U.S. Government has a strategic interest in promoting U.S. exports as part of our development assistance efforts overseas. TDA uses its limited resources to enhance American sales to infrastructure and industrial projects in developing and middle-income countries. This assistance advances the development priorities of these countries while creating jobs for Americans through U.S. exports.

TDA has four basic products to accomplish this goal: *Feasibility studies*, or business plans, that evaluate the technical, economic, and financial aspects of a development project and are required by financial institutions in assessing the project's creditworthiness; *Orientation visits*, or reverse trade missions, and U.S. business *conferences* which serve to familiarize foreign decision makers with U.S. goods and services and to provide them an opportunity to meet with U.S. suppliers; Trade-related *training grants* that provide technical and managerial training on the use of U.S. equipment and technology; and *Technical assistance* on an as-needed basis to respond to the complex demands of a given project when required expertise is unavailable from the host country. Through flexibility, the appropriate mechanism, and quick responsiveness, TDA is able to provide strategic assistance to help U.S. companies get a toe-hold in projects overseas.

We look forward to working with the Congress to make our program a model of efficiency and effectiveness.

Sincerely,

J. Joseph Grandmaison  
Director

Room 309 SA-16, Washington, D.C. 20523-1602  
Telephone (703) 875-4357 • Fax (703) 875-4009

## I. EXECUTIVE SUMMARY

The Administration is requesting \$67 million to fund the U.S. Trade and Development Agency (TDA) in FY 1996. The following table compares the FY 1996 budget request with appropriations from past years.

Table I. Appropriations History  
(\$ in Millions)

FY 1989	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996 Request
\$25	\$31.5 <sup>1</sup>	\$35	\$34.6 <sup>2</sup>	\$40	\$40	\$44.98	\$67 <sup>3</sup>

1 The original appropriation was \$32 million; the amount shown is the post-sequester amount.

2 The original appropriation was \$35 million; the amount shown is the post-sequester amount.

3 The request includes funding for the NIS. FY 1995 Appropriations with NIS funding was \$62 million.

In the past year TDA has continued its efforts to be a signature agency. It has sharpened its operating procedures to become even more entrepreneurial in its management style; maintained its low overhead and lean level of staffing; continued to work closely with other government agencies, especially within the context of the Trade Promotion Coordinating Committee (TPCC); and broadened and strengthened its ties with the U.S. business community. It is these and other factors that enable TDA to make a contribution to the President's and Congress' agenda of export promotion and job creation that is far in excess of the dollars it spends.

Other countries have established sizable and sophisticated programs to assist their firms in securing contracts on major infrastructure projects, which they recognize as representing significant market opportunities for their goods. TDA's role, in part, is to assist in efforts to create a level playing field for American businesses competing in these markets. This task becomes more and more challenging as foreign governments continue to implement their commercially-oriented foreign assistance programs.

TDA is able to respond quickly to the needs of U.S. companies as they attempt to develop and maintain markets throughout a changing and increasingly competitive world. Through the funding of project planning activities, TDA gets U.S. companies in at the ground level of major infrastructure projects in developing and middle-income countries. The involvement of American firms at this stage provides them with market entry, exposure, and information, thus helping them to establish a position in markets that are otherwise difficult to penetrate.

As a small and flexible Federal government agency, TDA is able to creatively leverage our resources by working closely with our colleagues in other departments and agencies. Over the past year, TDA has accepted a leadership role in the workings of the Trade Promotion Coordinating Committee (TPCC). This has helped establish even closer working relationships between TDA and the other trade promotion agencies, especially the other trade finance agencies -- OPIC and Ex-Im. We have also developed close working relationships with other agencies throughout the government. TDA works closely with the State Department, and the agency takes special pride in the relationship we enjoy with many of our American Ambassadors. We are one of the relatively few tools that our Ambassadors have to further U.S. business interests abroad. TDA relies upon our embassies overseas for leads on projects that might warrant our attention and involvement.

TDA also relies upon the Department of Commerce's U.S. & Foreign Commercial Service to assist in identifying projects. Since we do not maintain foreign offices, US&FCS is crucial to our success. TDA makes use of the expertise in technical agencies including the Department of Energy, the Federal Aviation Administration, and the Environmental Protection Agency.

TDA has a clear-cut focus: to create jobs for Americans through the promotion of U.S. exports. As a foreign assistance program, we are able to create the linkage between U.S. engineering and equipment manufacturing companies and the large development projects of the countries in which we operate. It is this mission that TDA will continue to fulfill as aggressively as its budgetary resources allow.

## II. TDA's BUDGET REQUEST

The Administration's FY 1996 budget request for the U.S. Trade and Development Agency is \$67 million. This includes \$17 million for the NIS program, which in previous years has been provided to the agency as a transfer, and \$50 million for the core budget. Of the total funds, \$61.5 million is allocated for program activities and \$5.5 million for operating expenses.

Overhead accounts for less than 10 percent of the agency's expenses. In fact, between FY 1993 and FY 1994, when the TDA program budget (including transfers) increased by 39 percent, the OE budget decreased by 2 percent. The following table summarizes the request and provides recent historical information.

	<b>FY 1994 Actual</b>	<b>FY 1995 Estimate</b>	<b>FY 1996 Request</b>
TDA Appropriations	\$40,000	\$44,986	\$67,000
TDA Obligations	\$58,551	\$76,986	\$67,000
Programs	\$54,013	\$71,891	\$61,500
Operating Expenses	\$4,538	\$5,095	\$5,500

FY 94 obligations include a total of \$18,557 in transfer funds

FY 1995 estimates include a total of \$32,000 in transfer funds

\$13,700 FY 1994 unobligated transfers

\$18,300 of new transfers

The Administration is requesting \$5,000 to be made available for representational purposes, which is important to the agency's outreach efforts. These funds will allow the Director to present the agency in an appropriate

fashion to high level government and business officials and to meet official representational needs in the growing number of countries where TDA has programs.

The Administration is also requesting that FY 1996 funding remain available for TDA obligation until it is expended. NIS funds, which are included in the FY 1996 budget request, have been "no year" funds in the past. In addition, the decisions of foreign entities to accept our grant offers are not always driven by fiscal year deadlines, and work with overseas posts is complicated by distance. "No year" status will ensure that program funds are spent most effectively on the purposes for which they are appropriated.

In FY 1996, TDA commits itself to be even more effective in responding to the commitment of the Administration and Congress to encourage and support the American business community in their efforts to sell U.S. goods and services in foreign markets and thereby preserve and create jobs here at home.

### III. TDA GETS RESULTS

In FY 1994, TDA obligated \$54 million for 383 program activities in 67 countries around the world. These activities support 299 major infrastructure projects, each offering export opportunities for U.S. companies. Over the next five years, the agency expects these projects to be associated with \$1.35 billion of additional exports, thus supporting thousands of jobs in the United States.

Since its inception in 1980, projects assisted by TDA have been associated with over \$6 billion worth of sales for U.S. companies -- more than twenty-five times the amount TDA expended on its support of the projects. As additional projects that TDA has assisted have reached the stage of implementation, even more exports will be forthcoming. A partial list of U.S. companies that have already sold goods or services to TDA-assisted projects is contained in Appendix A of this document.

This year's evaluation of TDA's past projects has produced further evidence of our contribution to expanded U.S. exports. Some recent examples are discussed below:

- This past year TDA provided a \$450,000 training grant to Weather Information Technologies, Inc. (WITI), a company with 25 employees located in Boulder, Colorado. The TDA grant helped them win a contract worth \$15.3 million. WITI was competing against a British company for the design and installation of a wind shear warning system at the new airport in Hong Kong. While the quality of the U.S. equipment was recognized as being state-of-the-art, the cost of the British system was significantly lower. The TDA training grant added value to the WITI bid and tipped the balance in WITI's favor. In addition, WITI's expertise in weather radar and foothold in Hong Kong on this project was influential in Raytheon Company of Lexington, Massachusetts winning a contract to supply \$12.8 million in weather radar to this project -- Raytheon's first sale of this radar outside the United States.

- Also this year, TDA made a \$75,000 grant to the Hungarian firm Hungaro DigiTel for a technology comparison of the various VSAT (Very Small Aperture Terminal) satellite communications systems manufactured throughout the world. The study found U.S. technology to be superior, which resulted in Hungaro DigiTel's interest in an AT&T VSAT hub station. The Ex-Im Bank provided a \$3 million loan to facilitate the purchase. Additional exports of \$3-5 million are expected over the next three years.
- TDA funded feasibility studies on three projects involving the protection of the environment in Mexico, representing over \$500 million of potential business for U.S. companies. Earlier last year TDA hosted a conference on the results of these feasibility studies. Over 100 American companies came to the conference to meet Mexican government officials and Mexican firms, to learn first hand about the nature of the export opportunities, and to get a head start on the foreign competition.

#### IV. THE TDA APPROACH

TDA is managed very much like a small business. It is lean, with an authorized ceiling of 38 positions. Because of its size and the way it is managed, TDA is able to respond quickly to changes in policy brought about by changing world conditions. It is this rapid response capability that is one of the agency's distinguishing characteristics.

TDA focuses on infrastructure projects undertaken by middle-income and developing countries. Drawing upon information from the U.S. business community and other government agencies -- such as the Commerce Department's U.S. and Foreign Commercial Service (US&FCS) and the State Department's economic officers -- TDA identifies those projects with significant export potential. By working closely with foreign governments to get large and small American businesses involved in the early stages of project planning, TDA builds partnerships that can mature into significant business opportunities as the project moves from the planning to implementation stage.

When TDA selects a project, it considers a number of factors, ranging from U.S. foreign policy objectives to the project's size. But the major consideration is the potential return on the foreign assistance dollars -- measured by the project's likely impact on the exportation of U.S. goods and services, and creation of jobs here in the United States.

Every TDA project must meet the following criteria:

- **Development Priority.** The odds must favor the implementation of a project; it must be a priority of the host country. Before TDA becomes involved, the agency must receive a formal request from the host country, and the U.S. embassy must endorse TDA's participation.
- **U.S. Export Potential.** A project must represent an opportunity for U.S. goods or services sales that are many times greater than the cost of TDA assistance.

- **Financial Availability.** Implementation financing that is not tied to non-U.S. sources must be available or likely, and the procurement process must be open to U.S. firms.
- **Competition.** A project must present a situation in which it is likely that U.S. companies will face strong competition from foreign companies that receive subsidies and other support from their governments.

In each project, TDA strives to maximize the leverage of the funds by making grants when the money is most needed and when it will most likely impact favorably U.S. exports.

### **Financial Packaging**

While TDA does not offer project financing, it assists the project sponsor in developing a financing strategy and a bankable document necessary for approaching potential lending sources. The majority of capital projects in the developing world are financed either by the multilateral development banks (MDBs), such as the World Bank and other regional banks, or through bilateral development assistance programs. To date, TDA activities have been focused on projects that are likely to be financed by the MDBs, the Ex-Im Bank, OPIC, private commercial banks, or a host country's own resources.

A financial strategy component is normally included in any TDA-funded feasibility study. The competitiveness of the financing package offered by a U.S. firm is a key determinant of whether U.S. exports follow a feasibility study, and TDA is placing increased emphasis on this phase of the project.

### **Small Business Outreach**

Our small size also makes us sensitive to the needs of small businesses, and they are an important part of the TDA program. Many of the contractors chosen to arrange orientation visits and technical symposia for TDA are small companies. All of TDA's pre-feasibility studies are done by small companies, which enables them to gain experience and exposure in international business. And historically, small businesses have won over 12 percent of the

feasibility studies we fund. Moreover, small businesses are often used as subcontractors on TDA-funded feasibility studies.

An analysis of the key components of TDA's program indicates that more than half of all TDA-funded activities are carried out by small and minority-owned businesses, and that these companies receive 20% to 25% of all disbursements of TDA funds. But we want to do more, and we have already increased our outreach efforts in an attempt to make more small businesses aware of our program.

TDA publishes two monthly newsletters -- the *Early Bird* and the *Bi-Weekly* -- which provide to U.S. companies early notice of project opportunities. We often participate in conferences throughout the United States to inform businesses about TDA's programs. We encourage small businesses to bid on TDA-funded feasibility studies and to pursue subcontracting opportunities with newly approved contractors of feasibility studies announced in the TDA newsletters. We also encourage small companies to register in our data base and to bid on TDA Definitional Missions where appropriate.

In FY 1996, TDA will continue to pursue an aggressive outreach to small and minority-owned businesses.

## V. REGIONAL PROGRAMS

The budget request for FY 1996 would be used to meet the anticipated demand for TDA's traditional activities: feasibility studies, orientation visits, and training grants, which are carried out in developing and middle-income countries around the world.

In 1995, TDA significantly increased its funding of programs in the Newly Independent States (NIS) and responded to emerging opportunities in the Middle East which resulted from the Administration's efforts to assist with the peace process. The agency also continued its funding of requests from Central Europe, Latin America, the expanding economies of Asia, and the emerging markets in Africa.

Each of these program areas has experienced increasing demand for TDA assistance as a result of various factors, including:

- the propensity of industrialized nations in Europe and Asia to provide direct business subsidies and soft loans to secure business for their commercial sector that places U.S. businesses in an unfair competitive position;
- increased opportunities in those countries experiencing rapid economic growth;
- widespread knowledge of the nature and effectiveness of TDA's program among developing and middle-income country officials, U.S. Government officials, and U.S. and foreign private sector entities;
- increased privatization brought about by the demise of centrally-planned economies;
- hesitancy and/or limited resources of many U.S. firms to underwrite the costs of feasibility studies in regions where there is political and economic uncertainty; and

- heightened demand for technology to modernize and/or expand transportation infrastructure, telecommunications, management and information, power generation, environmental, and numerous other systems.

As TDA becomes more widely known for its role in the U.S. Government's export promotion initiative, demand for the TDA program is similarly increasing. In addition, the cumulative number of projects managed places new and increasing pressure on the organization's support infrastructure because these projects are active for three years or more, and they must be monitored even as new activities come on line. The composite number of projects under active monitoring in any year in the FY 1994-1996 period is over 1,000.

The Administration's requested FY 1996 budget will allow the agency to continue to play an important role in export enhancement at a time when both the need and the opportunity exist for increasing American business involvement in foreign capital projects.

#### **AFRICA/MIDDLE EAST**

FY 1994 investment:

*\$5 million*

*50 activities*

*9.3% of budget*

TDA signed its first grant in this region thirteen years ago. Since that time, over 100 grants have been awarded to assist the economic development process in the 65 countries in the region and to help position U.S. firms to capture export opportunities in capital projects. Already TDA's investments in the region has been associated with \$440 million in U.S. exports.

The political and economic liberalization taking place in many countries of Africa and the Middle East have created exceptional export opportunities for American companies in the region. TDA's involvement helps ensure that U.S. business can capture a share of these markets as foreign competitors

quickly move to assist in the rebuilding process. In FY 1994, TDA funded activities in 15 countries, and procurement officials from at least 15 other countries participated in TDA orientation visits to the United States. Already TDA's investment in the region has been associated with \$440 million in U.S. exports.

Africa is the least developed of the regions in which TDA operates. Consequently, the emphasis of TDA's Africa and Middle East program has predominantly been on projects that enhance basic economic needs and priorities. As such, TDA's most dominant activity in this region is feasibility studies, primarily due to the demand for technology to support the needs in power, water, telecommunications and transportation systems. While most capital projects in Africa are sponsored by government entities, private investor projects are increasing. In certain areas, such as the West Bank and Gaza and South Africa, orientation visits have served initially to meet the agency's goals and the U.S. Government foreign policy initiatives.

TDA has seen increased interest on the part of U.S. firms in project development in South Africa since elections were held last April. This profound political change, and the lifting of international sanctions against South Africa, provide an opportunity for U.S. firms to impact the European stronghold on this market. South Africa has been designated a "Big Emerging Market" by the Trade Promotion Coordinating Committee, and TDA plans to act strategically to promote U.S. commercial involvement in major infrastructure projects there and in the surrounding countries.

#### **ASIA/PACIFIC**

FY 1994 investment:

*\$11 million*

*71 activities*

*20.5% of budget*

TDA has long recognized the export potential in the Asia/Pacific region and historically has allocated a large proportion of its resources to this market. In FY 1994, TDA funded activities in 11 countries, primarily in the energy, transportation, and telecommunications sectors. It is estimated that projects

supported by the agency have been associated with over \$2.8 billion in sales by American companies, 53% of all TDA associated exports.

Over the past several years, this region -- particularly the member countries of the Association of Southeast Asian Nations (ASEAN) -- has experienced strong economic growth. Most Asian governments, in an effort to keep pace with this aggressive economic expansion, have embarked on ambitious infrastructure development plans costing billions of dollars and covering a wide range of sectors. TDA, with its involvement in the planning stages of infrastructure and industrial projects, is naturally positioned to help U.S. companies pursue the opportunities that are arising as a result of these investments.

TDA's program emphasizes host country technical definition of priorities, strong inclusion of host project sponsors in management of the project, and development of long-term business relationships between the project sponsors and the U.S. private sector. This cooperative approach often results in local counterpart agencies committing to cost-sharing TDA-supported initiatives. Because most countries in Asia normally have the resources to follow through to project implementation, these relationships can result in significant business opportunities for U.S. companies prepared to pursue them.

The energy sector is expected to remain one of the largest growth markets in the region over the next few years, with a shift in emphasis towards private sector projects. Increasingly TDA funding for power projects is geared towards activities supporting the private sector involvement; in other words, a shift away from funding feasibility studies, toward training grants and orientation visits.

TDA has also seen a rapid expansion of investment in airports and air safety infrastructure throughout the region, a trend which is expected to continue through the end of the decade. Despite possessing a strong technological edge, U.S. firms face stiff competition in this sector from European and Japanese companies, which bring strong political and financial support from their governments. During FY 1994, TDA initiated studies, orientation visits, and training grants aimed at leveraging U.S. exports in airport and air traffic control

projects in Indonesia, Malaysia, Thailand, Macao, Hong Kong, and South Korea. For example, a TDA training grant offered in support of a U.S. company bid on satellite equipment resulted in the selection of the U.S. firm for the contract valued at more than \$60 million.

TDA has responded and will continue to respond to the booming economic growth in this region. The Asia Region includes four Big Emerging Markets (Indonesia, South Korea, China Region and India) as defined by the Trade Promotion Coordinating Committee, and TDA will concentrate its FY 1995 and FY 1996 funding to reflect the priority assigned to expanding exports in those countries.

## EUROPE

FY 1994 investment:

*\$11.5 million*

*99 activities*

*21.3% of budget*

TDA began its program in Central and Eastern Europe in 1989, when trade relations were re-established after four decades of central control. While these emerging economies are relatively small, opportunities for U.S. exports are excellent. In Turkey, TDA has been active since 1982, providing over \$12 million in funding for feasibility studies and other activities. During FY 1994, the 14 countries in which TDA funded activities were: Albania, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Poland, Romania, Slovak Republic, Slovenia, and Turkey. To date, projects supported by the agency in this region have been associated with over \$670 million in U.S. exports.

As this region continues its transformation toward building a democracy and a functioning free economy, TDA is moving effectively to ensure U.S. company participation in modernization projects in their core infrastructural sectors, primarily energy, manufacturing, transportation, and telecommunications. In Prague last January, President Clinton pledged support to help build the infrastructure in the region with the help of the U.S. private sector.

With privatization taking hold, U.S. technology is being sought to help Central and East European manufacturers define their technology needs in such areas as process control technology, information management, and pollution reduction.

Also as a result of the demand for modernization and efficiency, TDA is supporting projects that promote cooperative efforts at sharing resources among countries. This is true in the energy sector where TDA provided funding for an electric power grid control system feasibility study for Estonia, Latvia and Lithuania which will help the three countries manage electricity sharing, and in the development of regional transportation infrastructure, specifically in the areas of air traffic, rail and bridge projects. For example, TDA has begun an effort to assist the Balkan countries in the development of their transportation infrastructure, providing feasibility studies for airport development and air traffic control in Macedonia and Bulgaria. A rail project and the Danube River bridge project are also being considered.

In FY 1996, it is expected that both the energy and telecommunications sectors will continue to be important, and demand is expected to increase in manufacturing and information and process control technology. It is also expected that there will be increasing demand for TDA to provide financial packaging assistance with East European enterprises that plan to make capital investments.

TDA is giving more support to private sector investor projects in the region as U.S. companies are increasingly requesting TDA's help to overcome strong West European competition and the risks associated with working in emerging markets. With Poland and Turkey recently designated as "Big Emerging Market" countries by the TPCC, and with the proposed phasing out of U.S. A.I.D. funding for some of the Central and East European countries, TDA resources will become even more important to keeping the U.S. competitive in this region.

**LATIN AMERICA/CARIBBEAN**

FY 1994 investment:

\$10 million

67 activities

18.4% of budget

Given its proximity to the United States, Latin America is viewed as a natural market for U.S. exporters. TDA has maintained an active program in Latin America since the agency's inception more than a decade ago, and activities in the region have been associated with over \$1 billion in U.S. exports. In FY 1994, approximately \$8.5 million were obligated for export promotion activities in the region. These funds were used to support activities in the following 15 countries: Argentina, Belize, Bolivia, Brazil, Chile, Ecuador, Grenada, Guatemala, Mexico, Nicaragua, Panama, Peru, Trinidad and Tobago, Uruguay, and Venezuela.

Latin America has made significant economic progress during the past year as the region has become more politically stable, notably in Brazil, Peru and Venezuela. These changes bring greater prosperity to the marketplace and give U.S. businesses more incentive to pursue the export potential. The Administration's trade and investment policy toward the region has reinforced the current trend toward privatization, liberal trade and open investment opportunities.

As plans for modernization and expansion take place in most core infrastructural sectors, opportunities for U.S. businesses to become involved increase, primarily in the sectors of water treatment and environmental remediation, privately-produced power, and telecommunications. TDA has dispatched a team to South America to identify up to 125 potential projects in these sectors which would provide major export opportunities for U.S. companies.

The trend toward privatization in the developing world, and perhaps especially in Latin America, has required TDA to adjust its programs to accommodate the growing needs of the private or newly privatized economic sectors. TDA is currently funding five privatization studies in Bolivia for the telecommunications, electric power, and oil and gas sectors. TDA has

supported a number of other successful activities geared toward privatization in Latin America, including orientation visits, studies, and conferences.

Although the bulk of TDA's on-going program in Latin America continues to be in the larger economies of Argentina, Chile, Mexico and Venezuela, TDA has been successful in identifying viable projects in smaller countries such as Trinidad and Tobago, Bolivia, and Ecuador. While TDA's program in Brazil has been limited to orientation visits, we would hope to be able to offer a full program as early as this Fall.

TDA's sectoral focus in Latin America varies from country to country: In FY 1994, TDA signed a \$945,000 grant to study the requirement for the modernization of the public health system in Venezuela which has a U.S. export potential of \$120 million. TDA has funded a growing number of environmentally-related activities in Mexico, Argentina, and some of the other countries in the region.

The demand for TDA funding continues to grow rapidly. U.S. business interest in the region has increased significantly, but American companies often face heavily supported foreign competitors from Canada, Europe, and Asia, thus making increased TDA support crucial to their eventual commercial success.

#### **NEWLY INDEPENDENT STATES (NIS)**

FY 1994 investment:

*\$16 million*

*92 activities*

*29.6% of budget*

TDA has been actively involved in the NIS since being given authority to operate there nearly three years ago. In FY 1994, the bulk of TDA's activities in the NIS have been in Russia, the largest republic, but the agency also is actively involved in the republics of Armenia, Belarus, Georgia, Kazakhstan, Turkmenistan, and Ukraine.

Despite the tremendous long-term market opportunities in the NIS, the political and economic uncertainties have made American companies

unwilling or unable to assume the risks of underwriting the costs of feasibility studies. TDA has found that by funding a portion of the study, U.S. companies are willing to contribute the remainder. This has been the case in almost all of the more than 80 projects that TDA has been involved with in this region.

TDA's focus in the NIS is on projects involving potential U.S. investment on co-production deals which include the participation of local NIS entities. This approach of encouraging the development of the private sector in the NIS supports the Administration's efforts to change the focus of its NIS assistance program from direct aid to support for trade and investment.

In addition, TDA-supported private sector projects in the NIS represent an important source of investment candidates for OPIC, thus enhancing the cooperation between our two agencies.

TDA has also funded a large number of orientation visits in support of sectoral activities in the region.

While the largest potential market in the NIS is Russia, TDA will be focusing its efforts in the coming year on becoming involved in more projects in the non-Russian NIS, in line with Administration policy. Energy is expected to continue as a dominant sector here, although it is anticipated that projects involving minerals and mining and manufacturing will increase as NIS countries continue to modernize their industrial base.

#### **SPECIAL PROJECTS**

FY 1994 investment:

*\$0.5 million*

*4 activities*

*0.8% of budget*

TDA's first Multilateral Development Bank (MDB) grant was established at the African Development Bank in 1986. Since then, TDA has provided \$11,631,000 for a total of five grants at the World Bank, the International Finance Corporation (IFC), the European Bank for Reconstruction and Development

(EBRD), and the African Development Bank. These funds have been used to support a total of 205 separate activities and have proven to be very effective export generators. TDA's fund at the IFC, for example, has produced an export multiplier of 178 to 1.

Over the years, U.S. businesses have benefited by TDA's relationship and support of the MDBs, which are important sources of project implementation financing. These benefits are two-fold:

First, TDA gains valuable early information on viable projects. TDA's funds are used by the MDBs to hire U.S. consultants to compile information on a project's potential and recommend whether or not the bank should provide project financing. The consultants also report these findings to TDA. By assisting the MDBs at the earliest stages of project identification and development, TDA enhances the likelihood that U.S. firms will continue to be involved as the project moves toward implementation.

Information obtained through the MDBs is provided to the U.S. business community through two of the agency's publications, the *TDA Bi-Weekly* and the *TDA Early Bird*; through training that TDA provides on how to compete effectively for World Bank procurement awards; and through tracking and follow-up mechanisms that the agency provides after the conclusion of the MDB's work.

Second, TDA's involvement helps keep U.S. firms on an equal footing with their foreign competitors. Most firms from other developed countries receive concessional financing for their bids on major capital projects in developing countries, causing American firms to be at a distinct disadvantage. MDB-financed projects follow international competitive procedures, which allow U.S. firms to compete equally with their competitors. Through the information U.S. firms receive from TDA on MDB-financed projects, they are in a better position to determine which procurements to pursue -- and ultimately win.

During the past year, TDA improved its funds mechanism to strengthen its existing relationships with the EBRD and the IFC, so as to better serve the U.S.

business community. The new funds are called "Evergreen Funds" because they can be readily accessed from TDA program funds, and they provide a mechanism for TDA to support feasibility studies on specific projects at both the EBRD and the IFC on a more timely and consistent basis. The level of each fund is set at \$500,000. Since the funds are readily available, potential export opportunities for American companies arising from bank projects will not be lost due to the unavailability of the monies necessary to conduct feasibility and other technical studies.

With effective administration of funds, primarily through the new "Evergreen" mechanism, TDA will provide more opportunities for American companies to win MDB contracts, particularly at the World Bank, which oversees procurement of \$20 billion a year in goods and services.

## VI. CONCLUSION

TDA has developed a successful and respected program, and is eager to do more to assist in the promotion of U.S. exports and the creation of jobs for Americans. TDA's activities are an integral, unique part of our country's efforts to increase U.S. exports, which is critical to the fulfillment of the goal of creating 8 million new jobs. TDA is eager to continue to meet the needs of the U.S. business community and to ensure that overseas market opportunities are not lost to our foreign competitors.

The market opportunities in infrastructure and industrial projects of developing and middle-income countries continue to grow rapidly. For the American business community to fully participate in these opportunities, strong support for a range of export promotion functions is required. Given the necessary resources, TDA's experienced program staff is prepared to meet these challenges.

APPENDIX

**PARTIAL LIST OF COMPANIES  
THAT HAVE SOLD GOODS OR SERVICES  
TO TDA-ASSISTED PROJECTS,  
BY STATE**

March, 1995

State	City	U.S. Company
AK	Van Buren	Fab-Tech Inc.
AK	Anchorage	REI
AL	Birmingham	Altec
AL	Leeds	Anderson
AL	Birmingham	Combustion Engineering
AL	Birmingham	Eimco Process Equipment Company
AL	Birmingham	Harbert International
AL	Huntsville	Intergraph Corporation
AL	Birmingham	U.S. Pipe
AL	Birmingham	Zurn Industries, Inc.
AR	Heber Springs	Cane Machinery & Equip. Co.
AR	Oscada	Chitwood
AR	Texarkana	Rockwell International
AR	West Helena	Spray Rite
AZ	Wickenburg	Bear Cat Manufacturing, Inc.
AZ	Scottsdale	Fairchild
AZ	Phoenix	Honeywell
AZ	Phoenix	Linatex Corporation
AZ	Phoenix	Motorola
AZ	Phoenix	W. L. Gore & Associates, Inc.
AK	San Francisco	Pacific Telephone
CA	Glendale	Accu-Lite Labs., Inc.
CA	Santa Fe Springs	Accuride
CA	Rancho Cucamonga	Advance Fasteners
CA	Long Beach	AIRCO
CA	Compton	Allied Industrial Distributors
CA	Los Angeles	Allied Supply
CA	Canoga Park	American Shizuki Corporation
CA	Pleasanton	Assoc. Process Controls
CA	S. San Francisco	Atkinson Dynamics
CA	Santa Clara	Avantec
CA	San Francisco	Bechtel
CA	Newport Beach	Boil Engineers
CA	San Mateo	Boliden Allis
CA	Berkeley	Calpacific Equipment
CA	Los Angeles	Century Spring
CA	Irvine	Circuit Assembly Corporation
CA	Newport Beach	CLA-VAL Company
CA	Palo Alto	Combustion Engineering
CA	So. San Francisco	Consolidated Electrical Dist.
CA	Alameda	Continental Disc Corp.
CA	Buena Park	Cordova Bolt
CA	Cupertino	Corrugated Technologies
CA	Chatsworth	Diodes Inc.
CA	Sunnyvale	Dionex Corporation
CA	Corona	Duct-O-Wire
CA	Stockton	Dynapac
CA	Los Angeles	Eaton Corporation
CA	San Mateo	Eimco Process Equipment
CA	San Francisco	Electrical Insulation Supply
CA	San Jose	Electrical Insulation Supply
CA	Pasadena	Engineering Science, Inc.
CA	Piedmont	Environmental Tech.

State	City	U.S. Company
CA	Fremont	Everex Systems, Inc.
CA	Colma	Falore Jeep/Eagle
CA	Aliso Viejo	First Source International
CA	Redwood City	Fluor
CA	San Jose	GE Supply Company
CA	Santa Maria	Garrett Instruments
CA	Gilroy	Gaylord Container
CA	Industry City	Gaylord Container
CA	Fremont	Gemini Research
CA	Bakersfield	General Electric
CA	Emeryville	General Electric Supply
CA	Anaheim	General Power
CA	Palo Alto	Geometrics
CA	Gilroy	Gilroy Foods, Inc.
CA	S. San Francisco	Graybar Electric Co.
CA	San Jose	Hamamatsu Corp.
CA	Los Angeles	Harrington Indust. Plastics
CA	San Carlos	Harris Corp.
CA	Cupertino	Hewlett Packard
CA	Palo Alto	Hewlett Packard
CA	Los Angeles	Hughes Airport Systems
CA	Chula Vista	Hyspan Precision
CA	Santa Teresa	IBM
CA	Madera	IKG Industries
CA	Sunnyvale	ILC Technologies
CA	San Mateo	ITT AC Pumps c/oRushReps
CA	City of Industry	ITT Barton
CA	Irvine	ITT Components
CA	Orange	Inductor Supply Inc.
CA	Mountain View	Insulectro
CA	La Mirada	Interconex, Inc.
CA	Los Angeles	Joy Technologies Inc.
CA	San Francisco	Kaiser
CA	Oakland	Kaiser Engineers International
CA	Santa Fe Springs	Kelly Pipe
CA	Woodland	Kelly Pipe
CA	Redwood City	Kentex International, Inc.
CA	Concord	Keystone Sales
CA	Hayward	Kielty & Dayton
CA	Mountain View	King Bearing
CA	Wilmington	Komax Systems, Inc.
CA	Redding	Lassen Canyon Nursery, Inc.
CA	Fresno	Laval Underground Survey
CA	Gardena	Lincoln Welders
CA	San Francisco	M.K. Ferguson
CA	Mountain View	Macro Corporation
CA	Winters	Mariani Nut Co.
CA	San Jose	Maxconn Inc.
CA	San Fransisco	McClellan Equipment, Inc.
CA	Benicia	McJunkin Corporation
CA	Santa Fe Springs	McMaster Carr
CA	Cupertino	Measurex, Inc.
CA	Soquel	Media Integration

State	City	U.S. Company
CA	San Diego	Mecpocal Co.
CA	Simi Valley	Micom Systems, Inc.
CA	San Francisco	Morrison-Knudsen
CA	Foster City	Motorola C&E
CA	Garden Grove	NTD American
CA	Long Beach	Pacific
CA	Santa Fe Springs	Pacific Mechanical
CA	Oakland	Pacific Pipe Co.
CA	San Francisco	Pacific Telesis
CA	Irvine	Pasternack Enterprises
CA	Bakersfield	Patric, Inc.
CA	San Francisco	Pedley Knowles
CA	Montebello	Peerless
CA	Montebello	Peerless Pump
CA	Oakland	Port of Oakland
CA	Fountain Valley	Premium Connect Point
CA	Palo Alto	Priz-Co, Inc.
CA	North Hollywood	R. G. Allen Co. Inc.
CA	Palo Alto	Raychen
CA	Sunnyvale	Recortec Inc.
CA	Carson	Republic Supply of Calif.
CA	Irvine	Rohm Corp.
CA	Carson	Royal Wholesale Electric
CA	Long Beach	SCS Engineers
CA	Redwood City	San Francisco Label
CA	Petaluma	Schurter Inc.
CA	Riverside	Scott Marrin, Inc.
CA	Scotts Valley	Seagate Technology
CA	Torrance	Semiconductor Matls. Inc.
CA	Huntington Beach	Serck Baker
CA	Huntington Beach	Serrot Corporation
CA	Monterey	Sierra Instruments, Inc.
CA	Menlo Park	Silicon International Inc
CA	San Jose	Silicon Valley Grp Intl
CA	Lakewood	South California Air Gas
CA	Los Angeles	Southwestern Engineer
CA	Carrollton	Southwire Co.
CA	El Monte	Sparling Instrument Co.
CA	Oakland	Standard Electric
CA	So. San Francisco	Steven Engineering
CA	San Jose	Stone Container Corp.
CA	San Leandro	Sullair Pacific
CA	Antioch	T&T Valve & Instrument
CA	Mountain View	Tencor Instruments
CA	Gardena	Total Refractory Services
CA	So. San Francisco	Trane Company
CA	Anaheim	VERTEQ, INC.
CA	Santa Clara	Varian Associates
CA	Exeter	Waterman Industries, Inc.
CA	Menlo Park	WIndustrial Co.
CA	Sonoma	World Products Inc
CO	Littleton	Bennett Company
CO	Denver	Boliden Allis

State	City	U.S. Company
CO	Denver	Business Products Inc.
CO	Boulder	Coherent Technologies, Inc.
CO	Wheat Ridge	Colorado Electr Hdwr Inc
CO	Golden	Coors
CO	Englewood	D.R.Technology
CO	Broomfield	Decals, Inc.
CO	Colorado Springs	Denver Equipment Company
CO	Denver	Denver Gardner
CO	Boulder	Droplet Measurement Technologies, Inc.
CO	Englewood	E & M Sales
CO	Englewood	Eagle Pump & Equipment
CO	Arvada	Easter-Owens Electric
CO	Longmont	Emco
CO	Denver	Engineered Products, Co.
CO	Englewood	Entre Computer Center
CO	Boulder	Federal Express
CO	Boulder	Gustavsen Associates, Inc
CO	Fort Collins	Ionics
CO	Englewood	Jeppeson Data Plan
CO	Denver	JMC Instruments, Inc.
CO	Colorado Springs	Laser Magnetic Storage
CO	Englewood	Lear Siegler
CO	Fort Collins	Lockwood
CO	Boulder	Marco International
CO	Englewood	MAR-TEK, Industries
CO	Denver	Material Handling Equipment
CO	Denver	McGee Company, The
CO	Golden	MineralsDevelopmentGroup
CO	Englewood	Motorola
CO	Boulder	MKS Instruments
CO	Denver	Newark Electronics
CO	Lakewood	Ore Sorters
CO	Lakewood	Osna Equipment
CO	Boulder	Particle Measuring Systems, Inc.
CO	Denver	Primavera Project Planner
CO	Fort Collins	Process Control
CO	Arvada	R. Warden Company
CO	Boulder	Radian Corp.
CO	Golden	Richard Young Products
CO	Denver	Ryall Electric
CO	Golden	SAI
CO	Denver	Scientific Software International
CO	Denver	Slope Indicator Company
CO	Broomfield	Stephens Aviation
CO	Arvada	Sunstrand
CO	Montrose	TEI, Inc.
CO	Denver	Ted D. Miller Associates
CO	Boulder	Triton Engineering & Mfg. Co.
CO	Denver	Trompeter Electronics, Inc.
CO	Denver	U.S. Engineers &Construction
CO	Boulder	U.S. Welding
CO	Denver	Wazee Crane
CO	Englewood	Westec

State	City	U.S. Company
CO	Fort Collins	Western Agri-Management
CO	Denver	Winn Marion
CO	Golden	Xycom c/o Pfister & Associates
CT	Fairfield	General Electric
CT	Fairfield	ADC Magnetic Controls
CT	Watertown	Bristol Babcock, Inc.
CT	Windsor	Combustion Engineering
CT	Stamford	Dorr-Oliver
CT	Berlin	Dwight Foote, Inc.
CT	East Granby	Environmental Systems Products
CT	Clinton	Flexowall Corporation
CT	Naugatuck	General Datacomm
CT	Trumbull	ITT Flygt Corporation
CT	Norwalk	Nash Engineering Co.
CT	Torrington	Nidec Corporation
CT	Oxford	Plastic Tooling
CT	New Haven	Seton Name Plate Co
CT	Greenwich	Skaarup
CT	Portland	Skotch Inc.
CT	Enfield	Springborn Labs
CT	Danbury	Union Carbide
CT	Stamford	Xerox Corporation
DC	Washington	AT&T
DC	Washington	Bechtel
DC	Washington	Chemonics
DC	Washington	COMSAT
DC	Washington	Coopers & Lybrand
DC	Washington	DeLeuw, Cather
DC	Washington	Ernst & Young
DC	Washington	General Signal
DC	Washington	Internal Revenue Service
DC	Washington	K & M Engineering
DC	Washington	KCCT
DC	Washington	Louis Berger
DC	Washington	National Rural Electric
DC	Washington	Package & Machinery Manufacturers
DC	Washington	Pannel, Kerr, & Forrester
DC	Washington	Parsons, DeLeuw, Cather
DC	Washington	Teleconsult
DC	Washington	USWest
DE	Georgetown	Delaware Tech.
FL	Miami	Alpha Boilers
FL	Orlando	Birk, Hillman & Zipperly
FL	Browardale	Broward Community College
FL	Miami	CALMAQUIP
FL	Plantation	Caterpillar
FL	Homestead	Centaur Agro Devt., Inc.
FL	Orlando	Diane Gillett & Assoc.
FL	Miami	Expressway Toyota
FL	Pompano	Florida Structural Steel
FL	Miami	Fernando Pretto & Assoc.
FL	Coral Gables	Fletcher Smith, Inc.
FL	Miami	Flying Tigers Air

State	City	U.S. Company
FL	Plantation	Grain Tech. Management
FL	Miami Lakes	Honeywell, Inc.
FL	Miami	Imporex Import Export Inc
FL	Miami	Inter-Am.Transport Equip.
FL	Miami	International Electric Sales
FL	Ruskin	Kenenco Manufacturing
FL	Cape Canaveral	Lago Pan Am Technological Service
FL	Miami	Leventhal & Howath
FL	Tampa	McNichols
FL	W.Palm Beach	Meppo
FL	Fort Lauderdale	Motorola
FL	Miami	Reco Internat'l Electric
FL	Orlando	Ricardo & Assoc.
FL	Miami	Southern Rainbow
FL	Bradenton	Spectrum Chemical Inc.
FL	Clearwater	Terpo of Florida Inc.
FL	Orlando	The Nassel Co.
FL	Orlando	Timpano,Goren,Rivera
FL	Ft. Lauderdale	Unaflex Rubber Corp.
FL	Miami	Uteco
FL	Miami	Venamerica
FL	Miami	Venequip Machinery Sales Corp.
FL	Miami	Whaler Engineering & Associates
GA	Atlanta	Bell South
GA	Statesboro	Brooks
GA	Atlanta	DeSmet Process & Tech.
GA	Atlanta	Dorr-Oliver
GA	Atlanta	Empire World Trading Co.
GA	Rome	Inland Container Corp.
GA	Stockbridge	International Paper Co.
GA	Conely	Koppers
GA	Sandersville	Lapp Insulator Co.
GA	Atlanta	McMaster-Carr
GA	Toccoa	Patterson Pump Company
GA	Doraville	Purafil
GA	Statesboro	Rosemount
GA	Atlanta	Scientific Atlantic
GA	Atlanta	Southern Electric International
GA	Atlanta	Thermal Ceramics
HI	Honolulu	East-West Center
HI	Honolulu	Film Services of Hawaii
IA	Des Moines	Construction Products, Inc.
IA	Garner	Iowa Mold Tooling Co.
IA	Davenport	Kartridge-Pak
IA	Cedar Rapids	Midamar Corporation
IA	Adel	Pioneer Hi-Bred Company
IA	Des Moines	Pioneer Hi-Bred International
IA	Corydon	Shivvers, Inc.
IA	Adel	Stine Seed Company
IA	Decorah	Textron Inc/Camcar Div
IA	West Liberty	The Louis Rich Company
IA	Des Moines	Tone Brothers, Inc.
IA	Urbandale	Triple F Company

State	City	U.S. Company
ID	Idaho Falls	Dames & Moore
ID	Boise	Morrison-Knudsen
IL	Franklin Park	AM Castle & Company
IL	Naperville	AT&T Bell Labs
IL	Lisle	AT&T Technologies, Inc.
IL	Chicago	Acres
IL	Melrose Park	Adams Magnetic Products
IL	Arlington Heights	Advanced Air Technology
IL	Wheeling	Airolite Company
IL	Chicago	Airport Distributors, Inc.
IL	Hoffman Estates	Alpha Metals Inc
IL	Crete	American Lock
IL	Chicago	Ameritac
IL	Schaumburg	Apco Valve & Primer Corp.
IL	Rockford	Aqua Aerobic Systems
IL	Chicago	Asea Brown Boveri (ABB)
IL	Lyons	Atlas Tool & Die Works
IL	Chicago	B&K Dynascan
IL	Elgin	BW/IP International, Inc.
IL	Naperville	Beldon
IL	Champaign	C.S. Johnson Company
IL	Rockford	CAM/CAR
IL	Rockford	Cancer
IL	Chicago Heights	Capital Screw Products Co
IL	Peoria	Caterpillar
IL	Chicago	Chicago Blower
IL	Glendale Hgt	Chicago Blower
IL	Carol Stream	Crane Co.
IL	Franklin Park	Daystar Mfg. Inc.
IL	Chicago	Dayton Electric Mfg. Co.
IL	Moline	Deere & Co.
IL	Franklin Park	Delta-Unibus Corp.
IL	Waukegan	Dreefs Switch Inc.
IL	Franklin Park	Dresser Industries
IL	Chicago	E & H Plastics Co Inc
IL	Morton Grove	EL MECH Inc.
IL	Chicago	ETA Products
IL	Chicago	EXEL
IL	Rockford	Elco Ind.
IL	Chicago	Enerpac
IL	Addison	FMP Incorporated
IL	Wheeling	FTI
IL	Chicago	Ferranti Sciaky
IL	Huntley	Fitch & Gerard, Inc
IL	River Grove	Fort Lock Corporation
IL	Chicago	Frank Tye Sales Co
IL	Batavia	Furnas Electric Co.
IL	Deerfield	Gaylord Container
IL	Naperville	Goulds Pumps
IL	Chicago	Harza Engineering
IL	Aurora	Henry Pratt
IL	Aurora	Henry Pratt Co.
IL	Rolling Meadows	Hewlett-Packard Co.

State	City	U.S. Company
IL	Chicago	Howe Corp.
IL	Lake Bluff	Hycor Corp.
IL	Chicago	ICI Katalco
IL	Chicago	Institute of Gas Technology
IL	Chicago	Inter-Marketing Group, Inc.
IL	Chicago	J.C. Whitney
IL	Moline	John Deere
IL	Countryside	Kara Company, Inc.
IL	Itasca	Lighting Metal Spclts Inc
IL	Boilingbrook	MCL
IL	Downers Grove	Magnetrol
IL	Chicago	Makray Mfg. Co
IL	Rolling Meadows	Martin Tool Works
IL	Franklin Park	Matsushita Electric Corp
IL	Shannahon	McJunkin Corp.
IL	Chicago	Mead
IL	Wheaton	Mega/Deanco INC.
IL	Bensenville	Miller Fluid Power
IL	Rolling Meadows	Modagraphics
IL	Naperville	Nalco Chemical
IL	Chicago	Naylor Pipe Co.
IL	Schaumburg	Nichicon America Corp.
IL	Springfield	Noverico
IL	Streator	Peabody Myers
IL	Naperville	Plainfield Molding Inc.
IL	Addison	Plastic Works
IL	Naperville	Pneutech Engineers
IL	McHenry	Prem Magnetics Inc
IL	Dixon	Raynor Garage Doors
IL	Schaumburg	Reptron Electronics
IL	Chicago	Ricardo & Assoc.
IL	North Brook	Rogan Corporation
IL	Granville	S&K/AirPowerTool & Supply
IL	Chicago	Sargent & Lundy
IL	Skokie	Sargent-Welch
IL	Lake Bluff	Soiltest
IL	Carbondale	Southern Illinois Univ.
IL	Crystal Lake	Sun Electric Corp.
IL	Lisle	Tellabs
IL	Chicago	Tripp-Lite
IL	Chicago	UOP
IL	Chicago	United Airlines
IL	Rosemont	United Chemi-Con Inc.
IL	Elmhurst	Val-Matic Valve & Mfg. Corp.
IL	Chicago	Val-Test Distributors, Inc.
IL	Elmhurst	ValMatic Valve & Mfg. Co.
IL	Chicago	W. R. Grace
IL	Chicago	Westinghouse
IL	Downers Grove	Windy City Fasteners Inc
IL	Skokie	Wm. Nugent & Company
IL	Wiles	X-L Engineers
IL	Chicago	X-L Fastener
IL	Chicago	Yeomans Corporation

State	City	U.S. Company
IN	Indianapolis	Aircom Metal Products
IN	Jasper	Aristokraft, Inc.
IN	Indianapolis	Atec
IN	South Bend	Bobcat
IN	Highland	Copperheat, Inc.
IN	Warsaw	Da-Lite Screen Co., Inc.
IN	Fort Wayne	Deister Concentrator Co.
IN	Connersville	Dresser Industries, Inc.
IN	Michigan City	Dwyer
IN	Valpariso	IG Tech.
IN	Indianapolis	Inland Container Corp.
IN	Greencastle	International Solar Tech.
IN	Huntington	Memcor-Thuohm, Inc.
IN	Indianapolis	Mobile Drilling
IN	Fort Wayne	North American Van Lines
IN	PSI	Plainfield
IN	Noblesville	Q.C. Technologies, Inc.
IN	Lafayette	Richard Liu (Purdue Univ)
IN	Connersville	Roots-Dresser
IN	New Albany	Samtec, Inc.
IN	Whirlpool	Evansville
KS	Lenexa	Aviation Systems, Inc.
KS	Overland	Black & Veatch
KS	Abilene	Combustion Engineering
KS	Wichita	Koch Engineering Co, Inc.
KS	Kansas City	Peerless Conveyors
KS	Lenexa	Smith Loveless
KS	Olathe	Suburbia System
KY	Louisville	Pioneer Chemicals
LA	Lafayette	A & B Bolt Supply, Inc.
LA	Baton Rouge	Acadian Advertising, Inc.
LA	Baton Rouge	Adscio Manufacturing Co
LA	Lafayette	Al George Inc
LA	Baton Rouge	All Supplies, Inc.
LA	Jefferson	Arkel
LA	Baton Rouge	Bartlette Chemical
LA	Baton Rouge	Baton Rouge Blueprint & Supply
LA	Baton Rouge	Brady Rubber & Specialty
LA	Jefferson	Buckner Rental
LA	Baton Rouge	C.F. Steel Co.
LA	Baton Rouge	CRC of Louisiana
LA	Thibodeaux	Cameco Industries, Inc
LA	Jeanerette	Cameco/Honiron
LA	Baton Rouge	Capital Building Systems
LA	Baton Rouge	Capital Rubber
LA	Baton Rouge	Capital Steel, Inc
LA	Baton Rouge	Capital Street
LA	Baton Rouge	Cappes Cassidy
LA	Baton Rouge	Casco Co
LA	Baton Rouge	Charter Chambers Supply
LA	Sorento	Cherry Picker Parts
LA	Baton Rouge	Contractor's Supply
LA	Baton Rouge	Control Systems Consultnt

State	City	U.S. Company
LA	New Orleans	Crane Cochrane Company
LA	Sorrento	Crane Service
LA	Baton Rouge	Crawler Supply
LA	Baton Rouge	Creole Engineering Sales
LA	Baton Rouge	Crown Environment Systems
LA	Kenner	Cummins Mid-South
LA	Walker	Cushco
LA	Baton Rouge	Datec, Inc
LA	LaCombe	Dorion Equipment Sales Inc
LA	New Orleans	Dresser Rand
LA	Baton Rouge	Ed Price Building Materials
LA	Fauquier City	Effort
LA	Baton Rouge	Electrical Wholesalers
LA	Baton Rouge	Evans Electrical Supply
LA	New Orleans	Factory Sales & Engineering
LA	Harahan	Fairbanks Sales
LA	New Orleans	Fisher Engineering
LA	Baton Rouge	Ford-Gelatt & Associates
LA	Baton Rouge	G.E. Supply
LA	Baton Rouge	General Electric Supply
LA	Baton Rouge	Goulds Pumps
LA	Baton Rouge	Goulds Pumps
LA	Baton Rouge	Graybar Electric Co.
LA	Geismar	Groth Corporation of Louisiana
LA	Arabi	Gulf States Marine
LA	Baton Rouge	Head & Enquist Equipment
LA	Baton Rouge	Hebert Valve & Controls
LA	New Orleans	I.T.T. Standard
LA	Baton Rouge	Iberville Coatings
LA	Baton Rouge	Industrial Screw & Supply Co
LA	Baton Rouge	Industrial Products & Services
LA	Port Allen	International Piping Products
LA	Harvey	International Hydraulic & Equipment
LA	Metairie	KBC
LA	Metarie	Kirkwood Co
LA	Baton Rouge	Louisiana Hose & Rubber
LA	Baton Rouge	Magnetrol
LA	Sulphur	McMilligan Equipment
LA	Baton Rouge	Means Industries
LA	Krotz Springs	Midwest Cooling Tower Ser
LA	Baton Rouge	Modern Valve, Inc
LA	Baton Rouge	Moody Price, Inc
LA	Baton Rouge	Moody Price, Inc.
LA	Baton Rouge	Motion Industries
LA	Plaquemine	Nadler Incorporated
LA	Plaquemine	Nadler, Inc.
LA	Baton Rouge	Napa Auto Parts
LA	Metarie	New & Associates
LA	Lafayette	O'Neal Steel, Inc.
LA	Baton Rouge	Omega Ind. Suppliers
LA	Baton Rouge	Owens Fabricators
LA	Baton Rouge	Parnell's Sport Shop
LA	Gonzales	Pax, Inc.

State	City	U.S. Company
LA	Baton Rouge	Pelican State Supply
LA	Baton Rouge	Performance Contractors
LA	Metairie	Philadelphia Gear Corp.
LA	Baton Rouge	Piping & Equipment, Inc.
LA	Walker	Plant Specialties Controls Inc.
LA	Belle Chase	Point Eight Power, Inc.
LA	Baton Rouge	Quality Bolt & Screw Corp.
LA	New Orleans	R. J. Tricon Company
LA	Baton Rouge	R.S. Fife Sales
LA	Baton Rouge	R.V. Gildersleeve
LA	Metairie	Rapco Associates, Inc.
LA	Lafayette	Red Wing Service & Supply
LA	Baton Rouge	Reiley Electric Supply
LA	Baton Rouge	Right Rotation
LA	Metairie	Sepco Industries, Inc.
LA	Baton Rouge	Southern Equipment
LA	Baton Rouge	Standard Supply
LA	Baton Rouge	Southern Industrial Construction
LA	Lafayette	Strat-A-Graph
LA	Baton Rouge	Stupp Brothers
LA	Baldwin	Superior Fabricators
LA	Baton Rouge	T.S.R. Inc
LA	Baton Rouge	Templet Weldin
LA	Geismar	Tubes, Inc.
LA	Baton Rouge	United Engine Service
LA	Baton Rouge	Vallen Safety Supply
LA	New Iberia	Voorhies Supply
LA	New Iberia	Voorhies Supply Co. Inc
LA	Baton Rouge	Westside Coatings, Inc.
LA	Baton Rouge	Woodfin-Smith Pontiac
LA	New Orleans	World Trade Center New Orleans
MA	Newton	ADE Corporation
MA	Worcester	Aercor
MA	New Bedford	Alberox
MA	Boston	Apollo
MA	Cambridge	Arthur D. Little
MA	N.Attleboro	Atlantic Stainless Co., Inc.
MA	Holyoke	Atlas Copco
MA	Salem	Atwood & Morrill Co.
MA	Lawrence	BKC International Electric, Inc.
MA	Canton	BLH Electronics
MA	Dalton	Beloit
MA	Greenfield	Bete Fog Nozzle, Inc.
MA	Cambridge	Bio-Rad Semiconductor
MA	Walpole	Bird Machine Co.
MA	Peabody	Boalico
MA	Newton	C & K Components Inc.
MA	Cambridge	Camp, Dresser, & McKee
MA	North Adams	Commonwealth Sprague
MA	Maynard	Digital Equipment
MA	Agawam	ED Tech Corporation
MA	Natick	Future Electronics Corp.
MA	Waltham	GTE Spacenet International

State	City	U.S. Company
MA	Sterling	High Voltage. Engineers
MA	Middleboro	Hlynn Electronics Inc.
MA	Hyde Park	Howder Sirocco, Inc.
MA	Foxborough	Iconics
MA	Ward Hill	Johnson Matthey
MA	Waltham	Landy Associates
MA	Wobum	Leasametric, Inc.
MA	South Deerfield	Nourse Farms, Inc.
MA	Danvers	Omron Electronics Inc.
MA	Plymouth	Pixley Richards Inc.
MA	Boston	Robert White Instruments
MA	West Concord	SSC Medical Instrumentat.
MA	Burlington	Scientific Atlanta
MA	Wilmington	Scully Signal Corp.
MA	Gardner	Simplex Time Recorder
MA	Lexington	Taiyo Yuden USA Inc.
MA	Lexington	Tektronix Inc.
MA	Dorchester	Thermax, Inc.
MA	Wobum	Vaisala, Inc.
MA	Lowell	WANG
MA	Warren	Warren Pumps, Inc.
MD	Baltimore	American Olean
MD	Rockville	Contel
MD	Baltimore	Eastern Stainless SteelCo
MD	Baltimore	Ellicott Machine Corporation
MD	Columbia	Enterprise Development
MD	Columbia	General Physics Corp.
MD	Gaithersburg	Hekiman Laboratories
MD	Baltimore	Machine Craft
MD	Columbia	Peachtree Doors, Inc.
MD	Baltimore	Pritchard/Brown
MD	Glen Burnie	Shaw Mark
MD	Germantown	Telecomm. Techniques
MD	Timonium	Teledyne E. Systems
MD	College Park	Water Resourcing, Inc.
MI	Richland	Asgrow Seed
MI	Clarkston	Ast, Inc.
MI	Richland	Calvert
MI	Auburn Hills	Computer Integrated Weld
MI	Southfield	Davison-Rite
MI	Dearborn	Ford Motor Co.
MI	Flint	General Motors
MI	Durand	Gruendler Crushers
MI	Grandville	Harlo Control
MI	Fraser	I.S.I. Co
MI	Troy	International Machinery
MI	Muskegon	Lift-Tech
MI	Winn	Morbark
MI	Highland	Numatics, Inc.
MI	Detroit	Parker Hannifin
MI	Temperance	Rolled Alloys, Inc.
MI	Detroit	Roper Pump
MI	Ferndale	Unison

State	City	U.S. Company
MN	St. Paul	3M
MN	Burnsville	BH Electronics, Inc.
MN	Minneapolis	Brownie Tank Mfg. Co.
MN	Rochester	Crenlo, Incorporated
MN	Sartell	Dezurik Corporation
MN	St. Louis Park	Digiboard
MN	Minneapolis	Donaldson
MN	Minneapolis	Graham-Lee Electronics
MN	Minneapolis	Honeywell, Inc.
MN	Minneapolis	Hurt Manufacturing
MN	St. Paul	Johnson Filtration System
MN	Minneapolis	Land O'Lakes
MN	Minneapolis	Minco Products
MN	St. Paul	Minnesota Mining
MN	Minneapolis	Mooney
MN	Minneapolis	Onan
MN	St. Paul	Progress Foundries
MN	Minneapolis	Snyder General Corp.
MN	Minneapolis	Unysis
MO	Centralia	A. B. Chance
MO	Kansas City	Black & Veatch
MO	St. Louis	Carondelet Foundry Co.
MO	Joplin	Contract Freighters, Inc
MO	Massillon	Controlled Power Corp
MO	St. Louis	D. Ralph Young
MO	Joplin	Eagle-Picher Industries
MO	St. Louis	Enviroplan Inc.
MO	Maryland Heights	Flygt Corporation
MO	St. Louis	Fulton Iron Works
MO	St. Louis	FultonFerracutIndustries
MO	O'Fallon	Hitchner Mfg.
MO	St. Louis	ITT Blackburn
MO	Kansas City	Koch Supplies
MO	St. Louis	Labarge Inc.
MO	St. Louis	Lemco (Ralph Young)
MO	St. Louis	McDonnell Douglas
MO	St. Louis	Monsanto
MO	Springfield	Positronics Industrial
MO	Joplin	Southwestern Engineer
MO	St. Louis	U.S. Motors
MO	St. Louis	Westinghouse
MS	Meriden	Miner
NC	Raleigh	Allegro Microsystems Inc.
NC	Kernersville	Allied Tool
NC	North Bergen	Armel Electronics Inc.
NC	Brooklyn	Chip Tech. Ltd.
NC	Winston Salem	Dixie Electronics Inc.
NC	Charlotte	Duke Power
NC	Greensboro	Eagle Electronics Comp.
NC	Greensboro	Electric Supply & Equipment
NC	Gibsonville	Engineered Plastics Inc
NC	Greensboro	G. C. International Inc.
NC	Greensboro	Golden Electronics Inc.

State	City	U.S. Company
NC	Greensboro	Hammond Electronics Inc.
NC	Greensboro	Industrial Electric ,Inc.
NC	Boone	International Rectifier Corp
NC	Winston Salem	Kirkman Electronics
NC	Wilkesboro	Meadow Mills
NC	Greensboro	Microsemi Corp
NC	Lumberton	Muesco-MuellerSteamSpeclt
NC	Raleigh	Northern Telecom
NC	Monroe	Peelle
NC	Durham	Pioneer Techno. Group Inc
NC	Cary	Powell Electronics Inc.
NC	Gastonia	Red Valve
NC	Winston Salem	Southern Fstrus & Supp Co
NC	Apex	The Cooper Group (Weller)
NC	Research Triangle Park	Troxler Electronic Laboratories, Inc.
NC	Fayetteville	Westinghouse
NE	Scottsbluff	Lockwood
NE	Broken Bow	Sargent Irrigation Co.
NH	Nashua	C-Tech Systems
NH	Nashua	Digital Equipment Direct
NH	North Salem	Geophysical Survey Systems
NH	Laconia	Lisega USA, Inc.
NH	Manchester	R C D Components Inc.
NH	Portsmouth	Simplex Wire & Cable
NJ	Basking Ridge	AT&T
NJ	Fairfield	AW Draghi
NJ	Fort Lee	Alfa-Laval Separator Co.
NJ	Kinnelon	American Electric Components
NJ	Union	American Products
NJ	Fairfield	Applied Resources. Corp.
NJ	Frenchtown	Aries Electronics
NJ	Cedar Knolls	Art Wire/Daco
NJ	Clifton	Atlas Industrial Mfg. Co.
NJ	Lodi	Bergen Cable Tech.
NJ	South Plainfield	Big Three Industries
NJ	E. Hanover	Bronner Manufacturing & Tool
NJ	Oradell	Burns & Roe
NJ	Fairfield	CE Connover
NJ	Hasbrouck Heights	Camloc Products
NJ	Carlstadt	Sediver, Inc.
NJ	Pennsauken	Datamedia Corp
NJ	Mahwah	E. Fagan
NJ	Ramsey	EKATO Corporation
NJ	Pallisades Park	ESC Electronics Cor.
NJ	Kenilworth	El Ewertsen
NJ	Belleville	Ewol Manufacturing
NJ	Irvington	Foam Pack
NJ	Livingston	Foster Wheeler USA Corp.
NJ	S.Hackensack	General Rubber
NJ	Union	Graver Company
NJ	Boonton	Helicoflex
NJ	Kenilworth	Heyco Molded Products Inc
NJ	W. New York	Hillcross

State	City	U.S. Company
NJ	Newark	Hudson Tool
NJ	Dayton	IBM
NJ	Piscataway	Illinois Tool Works Inc.
NJ	Hackensack	Industrial Devices Inc.
NJ	Woodcliff Lake	Ingersoll-Rand
NJ	Phillipsburg	Ingersoll
NJ	E.Rutherford	Insulfab Plastics
NJ	Boonton	Johanson Manufacturing Corporation
NJ	Mount Laurel	Johnson & Towers
NJ	Trenton	KNF, Inc.
NJ	Fairfield	Koch Engineering Co, Inc.
NJ	Newark	L&H Screw
NJ	Cherry Hill	Langston
NJ	Cherry Hill	Langston Corporation
NJ	Union	Lehigh Prec.
NJ	Kenilworth	Lincoln Die
NJ	East Orange	Louis Berger
NJ	Somerset	M.S. Connector Inc.
NJ	Little Ferry	Magna Flux
NJ	Patterson	Magnetic Aids
NJ	Morristown	Marlac Electronics Inc.
NJ	Newark	Martin Ind.
NJ	Burlington	McCullister's Mvng/Strge
NJ	Dayton	McMaster-Carr Supply Co.
NJ	New Brunswick	McMaster-Carr Supply Co.
NJ	West Caldwell	Merrimac Industries, Inc.
NJ	E.Rutherford	Morris Abrams
NJ	Hackensack	NAS Electronics Inc.
NJ	Paramus	NOISE/COM
NJ	West Caldwell	PCI Ozone
NJ	Elmwood Park	PSI
NJ	Farmingdale	Part Makers
NJ	Wayne	Passaic Rubber
NJ	Linden	Platronics
NJ	West Orange	Power Dynamics Inc.
NJ	Cherry Hill	RCA
NJ	Hasbrouck Heights	Rexnord Inc.
NJ	Hillside	Rolex
NJ	Carlstadt	Sediver, Inc.
NJ	Linden	Short Run Stamping
NJ	Oakland	Silicon Technology Co.
NJ	Totowa	Star Stainless Screw
NJ	Northbranch	Structural Foam Plastic, Inc
NJ	Mount Laurel	Telenex Corporation
NJ	Fairfield	Titanium Industries
NJ	Monmouth Junction	U.S. Instrument Rentals
NJ	Patterson	Ultra Additives
NJ	Cedar Grove	Unicom
NJ	Orange	Unicorp Inc.
NJ	Hackensack	Union Carbide
NJ	Belleville	Vac-U-Max
NJ	Springfield	Victory Eng. Corp.
NJ	Belleville	Wallace & Tieman

State	City	U.S. Company
NJ	West Caldwell	Waveline Inc.
NJ	Princeton	Zero Corporation
NJ	Port Murray	Zeroflex Corporation
NM	Corrales	Analytec Corporation
NV	Reno	Benner-Newman
NV	Las Vegas	CER
NY	Olean	AVX
NY	Endicott	Amphenol Products
NY	Voorheesville	Atlas-Cop Co.
NY	Westbury	Bilt-Rite Steel Buck Corp
NY	Westbury	Brinkman Instruments
NY	Buffalo	Buffalo Forge Co.
NY	Syracuse	Carrier, United Technology
NY	Elmhurst	Century Fasteners Corp
NY	New York	Chemtex Fibers, Inc.
NY	New York	China United Trading Corp
NY	Central Islip	Circuit Sales
NY	New York	Citibank
NY	Saugerties	Comair Rotron
NY	Wellsville	Combustion Engineering
NY	New York	Concord Electronics Corp.
NY	Hudson	Craftech Ind.
NY	Ogdensburg	Defelsko Corporation
NY	Buffalo	Derrick Manufacturing Co.
NY	New York	Dravo
NY	Wellsville	Dresser-Rand
NY	Dunkirk	Dunkirk Radiator Corp.
NY	Commack	E.F. Data Corporation
NY	Rochester	Eastman Kodak Co.
NY	Amsterdam	Electrometrics
NY	Seaford	Fine Electronics FECC Inc
NY	Schenectady	General Electric
NY	Tonawanda	General Motors
NY	Rochester	General Signal
NY	Seneca Falls	Gould
NY	Armonk	IBM
NY	Hauppauge	JACO Electronics
NY	Rochester	Kayex, of Genl.Signal
NY	Niagra Falls	Kimmins Thermal Corp.
NY	New York	Koch Engineering Company
NY	Hauppauge	LNR Communication, Inc.
NY	Le Roy	Lapp Insulator Co.
NY	New York	Lockwood
NY	Brooklyn	Minicircuits
NY	Hauppauge	Miteq, Inc.
NY	Hauppauge	Narda Microwave
NY	New York	Optel Communications
NY	New York	Pan American
NY	New York	Parsons Brinckerhoff
NY	New York	Petro-Chem
NY	Lake Success	Planning Research Corp
NY	Bay Shore	Plastic Assoc.
NY	Syosset	Porta Systems

State	City	U.S. Company
NY	Schenectedy	Power Technologies, Inc.
NY	N.Hyde Park	RG Precision
NY	Woodside	Schnoor Noise Disc
NY	Brooklyn	Scientific Components
NY	Hauppauge	Sherburn Electronics Corporation
NY	Buffalo	Sopark
NY	Binghamton	Special Products
NY	New York	Stone & Webster
NY	New York	Sumitomo
NY	New York	TAMS
NY	Yonkers	URC
NY	Syracuse	United Technologies
NY	Plainview	Veeco Instruments Inc.
NY	Arcade	Voltube Corp
NY	Jamestown	Weber-Knapp Company
NY	New York	Western Agri-Management
NY	Rouses Pt.	Westinghouse
NY	Mt. Kisco	Zierick Manufacturing Co
OH	Maumee	Aeroquip
OH	Lancaster	Arvin/Diamond Electronics
OH	Barberton	Babcock & Wilcox
OH	Cleveland	Brodhead & Garrett
OH	Cleveland	Brush Wellman
OH	Bucyrus	Buckeye
OH	Columbus	Buckeye Stamping
OH	Columbiana	Columbiana Boiler Company
OH	Marietta	Connex Pipe Sys. Inc.
OH	Canton	Controlled Power
OH	Mentor	Cyberex, Inc.
OH	Cleveland	Davy McKee
OH	Cleveland	Derrick Co.
OH	Lancaster	Diamond Power
OH	Centerville	Dimco-Gray Company
OH	Cincinnati	Dover Corporation
OH	Massilon	Ecodyne
OH	Dayton	Elliot Company
OH	Geneva	Geneva Rubber
OH	Akron	Goodyear Industries
OH	Mansfield	Gorman-Rupp Co.
OH	Hilliard	HDR Power Systems, Inc.
OH	Columbus	Hughes Peters Inc
OH	Cleveland	Kirkwood Industries
OH	Cleveland	Lincoln Electric
OH	Bentonville	Midco/Van Leeuwen
OH	Mansfield	Minnich Manufacturing, Inc.
OH	Dayton	NCR
OH	Columbus	Ohio State University
OH	Cleveland	Ore Sorters
OH	Mentor	Qualtek Electronics
OH	Cincinnati	REGO Company
OH	Cleveland	Ralston Engineering Sales Co.
OH	Twinsburg	Robert-James Sales, Inc.
OH	New London	Roth Manufacturing Corp.

State	City	U.S. Company
OH	Worthington	SEI Engineers, Inc.
OH	Chagrin Falls	Stock Equipment
OH	Cincinnati	The Foxboro Company
OH	Sandusky	The Mack Iron Works, Co.
OH	Cleveland	W. W. Sly
OH	Hiram	Warren Automotive Group
OH	Cincinnati	Weldco, Inc.
OH	Hamilton	Western States
OH	Hamilton	Western States Machine Co
OH	Orrville	Westinghouse/CCD
OK	Tulsa	Amphenol Corp/Spectra Str
OK	Poteau	Arundale Inc
OK	Yukon	Askew Fabrications Inc
OK	Norman	Bergey Windpower
OK	Tulsa	Big Chief
OK	Tulsa	Braden Steel
OK	Oklahoma City	Briggs-Weaver Indus. Supp
OK	Oklahoma City	Carlton Bates Company
OK	Chickasha	Chickasha MFG Co., Inc
OK	Oklahoma City	Corken InternationalCorp.
OK	Oklahoma City	Duncan Equipment Co.
OK	Tulsa	Fintube Corporation
OK	Oklahoma City	Freeman Moving & Storage
OK	Ochelata	Geomicrobial Technologies
OK	Enid	George E. Failing Co.
OK	Oklahoma City	Hajoca Corporation
OK	Tulsa	Hall-Mark Electronics Corporation
OK	Tulsa	Hilti, Inc
OK	Oklahoma City	Hunzicker Brothers Inc
OK	Oklahoma City	Industrial Gasket, Inc.
OK	Oklahoma City	K P Supply Company
OK	Tulsa	Mathey International
OK	Tulsa	McGill Environmental Systems
OK	Edmond	NECO Industries
OK	Edmond	Neco Industries
OK	Oklahoma	Nelson Electric Supply
OK	Oklahoma City	Newark Electronics
OK	Sand Springs	Piping Engineering Co.
OK	Oklahoma City	Plas-Tech Manufacturing, Inc.
OK	Oklahoma City	Pyramid Electric Supply
OK	Oklahoma City	RSC Electronics
OK	Oklahoma City	Radio Inc.
OK	Oklahoma City	Scott Rice
OK	Tulsa	Seiscor Technologies Inc
OK	Oklahoma City	Sooner Bolt & Supply
OK	Oklahoma City	Steel Supply Company
OK	Tulsa	Sterling Electronics Corp
OK	Tulsa	T.D. Williamson, Inc.
OK	Tulsa	Taylor Instruments
OK	Tulsa	United Industrial Corporation
OK	Oklahoma City	W. H. Stewart
OK	Tulsa	Weamco
OK	Oklahoma City	Westinghouse

State	City	U.S. Company
OK	Tulsa	Yuba Corporation
OR	Portland	Coe, Inc.
OR	Oak Grove	Cranston Machinery
OR	Portland	ESCO
OR	Portland	FNW Valve Company
OR	Gardiner	International Paper Company
OR	Portland	Turco
OR	Springfield	Weyerhaeuser Paper
OR	Portland	Weyerhaeuser Paper
PA	York	A.C. Valve
PA	Leetsdale	A.P. Green Industries
PA	Pittsburgh	ABB Power T & D Co.
PA	Pittsburgh	ADSCO Manufacturing
PA	Harrisburg	AMP, INC
PA	Peaster	Abbott & Cobb
PA	Pittsburgh	Acme Scale and Supply Co.
PA	Easton	Acopian Technical Company
PA	Allentown	Air Products
PA	Pittsburgh	Allegheny Pipe & Supply Co.
PA	York	Allis Mineral Systems
PA	Pittsburgh	America Schack Company
PA	Williamsport	Anchor/Darling Valve Co.
PA	Sewickley	Atlas Industrial Manufacturing Co.
PA	Kulpsville	BBL Co.
PA	Coraopolis	Baker Process Equipment Co., Inc.
PA	New Holland	Berk TEK, Incorporated
PA	Pittsburgh	Blaw-Knox
PA	Leola	Briggs
PA	Carnegie	Brooks Instrument Division
PA	Butler	Butler Fabricating
PA	King of Prussia	Cochrane Envir. Sys./Crane
PA	Easton	Cooper
PA	Lake City	Copes-Vulcan
PA	Mars	Copes-Vulcan
PA	Lake City	Copes-Vulcon, Inc
PA	Pittsburgh	Cosa Instrument Corp.
PA	King of Prussia	Crane Cochrane Environmental Sys.
PA	Pittsburgh	Crosby Valve
PA	Bethlehem	Damper Design
PA	Pittsburgh	Davy Dravo
PA	Pittsburgh	Dezurik Corporation
PA	Pittsburgh	Dravo Wellman
PA	Pittsburgh	Dresser Industries, Inc.
PA	Pittsburgh	EG&G Flow Technology
PA	Westfield	Electri-Cord Mfg Co
PA	Topton	Electro Space FAB Inc
PA	Hatfield	EMSI
PA	Reading	Exide
PA	Pittsburgh	F.R. Magill Company
PA	Chalfont	FMC Corporation
PA	Coraopolis	Fab-Tec Industries, Inc.
PA	Carnegie	Face, Inc.
PA	York	F.E.S.

State	City	U.S. Company
PA	Coraopolis	Foster Wheeler USA Corp.
PA	Pittsburgh	Frigidaire
PA	Bethlehem	Fuller
PA	York	Fuller Pump
PA	Shoemakersville	GP Fasteners
PA	Pittsburgh	Gantrex Corporation
PA	Malvern	General Electric
PA	Philadelphia	General Electric
PA	Erie	General Electric
PA	Pittsburgh	Gooding, Lewis, Goetz & Comp.
PA	Pittsburgh	Goulds Pumps
PA	Pittsburgh	Graybar Electric Co.
PA	Pittsburgh	H. H. Robertson Company
PA	Boalsburg	HVP Intl. Ltd.
PA	Butler	Heckett
PA	Pittsburgh	Industrial Valves & Fittings
PA	Allentown	Ingersoll-Rand
PA	Pittsburgh	Iron, Inc.
PA	Pittsburgh	Jerguson Gage and Valve Co
PA	Bala Cynwyd	Johnson March
PA	Pittsburgh	Jos. T. Ryerson & Son, Inc.
PA	Lancaster	K-D Tool
PA	Bradford	Koa Speer Electric Inc.
PA	Lewistown	Krautkramer Branson
PA	Philadelphia	Kuljian Corporation
PA	Pittsburgh	Lakewood Instruments, Inc
PA	Pittsburgh	Leslie
PA	Pittsburgh	M.S. Jacobs & Assoc.
PA	Pittsburgh	MSA
PA	Allentown	Mack International
PA	Allentown	Mack Trucks
PA	Pittsburgh	Masonellan
PA	Canonsburg	McGraw Edison
PA	Leetsdale	McJunkin Corporation
PA	Pittsburgh	Meriam Instruments
PA	Orwigsburg	Metal Sales
PA	Penndel	Moldamatic Inc
PA	Pittsburgh	Moody-Tottrup Intl., Inc.
PA	Pittsburgh	NETAC
PA	Reading	NGK Metals
PA	Philadelphia	National Air Oil, Inc.
PA	Pittsburgh	O'Brian Corporation
PA	Murrysville	Ohmart
PA	Carlisle	P.R. Hoffman Machine Prods.
PA	Pittsburgh	Petrolite Equipment
PA	Philadelphia	Philadelphia Gear Corp.
PA	Horsham	Pioneer-Washington Elect.
PA	Imperial	Process Devt & Control, Inc.
PA	Pittsburgh	Pulsafeed Pumps, Inc.
PA	Pittsburgh	RAM
PA	Gardenia	Rotoflow
PA	Concordville	Southco, Incorporated
PA	Lawrence	Spence Engineering Co.

State	City	U.S. Company
PA	Pittsburgh	Steelite
PA	Carlisle	Stoner
PA	Gulfport	Struthers
PA	Greensburg	Telemecanique, Inc.
PA	Pittsburgh	The Duriron Company
PA	Monroeville	The Foxboro Company
PA	Windber	Thiele, Inc.
PA	Heber Spring	Tigg Corporation
PA	Carnegie	Transmation, Inc.
PA	Jeanette	Tubing Specialists, Inc.
PA	Pittsburgh	USX Engineers and Consults
PA	Bluebell	Unisys
PA	Philadelphia	United Engineers
PA	West Chester	Unitrack Industries Inc
PA	Allentown	Vulcan Waste Systems
PA	Dalmatia	W. T. Storey Inc
PA	Pittsburgh	Wemco
PA	Pittsburgh	Westinghouse
PA	Monroeville	Westinghouse Electric
PA	Pittsburgh	Westinghouse Electric Corp.
PA	Pittsburgh	Wheelabrator
PA	Pittsburgh	Wheelabrator
PA	Pittsburgh	Williams and Company, Inc
PA	Montgomeryville	Xnatech
PA	Monroeville	Yale Industrial Trucks
PA	York	York International
PR	Isabela	ABB Kent Meters, Inc.
PR	San Juan	American Agencies
PR	San Juan	Kent Meters
RI	Providence	Ferguson Perforating & Wire
RI	Cranston	Grinnell Corporation
RI	Providence	Linden & Co.
RI	Newport	Papst Mechatronic Corporation
SC	Laurens	B.F. Shaw
SC	Greenville	General Electric
SC	Greenville	Kemet Electronics Corporation
SC	N.Charleston	R.M. Engineered Products, Inc.
SC	Greenville	S. Eastern Electrical Distribution
SC	Greenville	Westinghouse
SC	Colombia	Wilbur Smith
SD	Mitchell	Dakota Manufacturing
SD	Brookings	Falcon Plastics, Inc .
TN	Chattanooga	Combustion Engineering
TN	Chattanooga	Corley
TN	Knoxville	Environmental Systems
TN	Lauergne	Hennessy Coates
TN	Knoxville	ISO Tech.
TN	Memphis	International Paper Co.
TN	Greenville	Kaydon Corporation
TN	Menysuis	Russel Heckle, Inc.
TN	Hendersonville	Sandpiper Enterprises
TN	Knoxville	Seagull
TX	Houston	A&F International

State	City	U.S. Company
TX	Richardson	AAVID Engineering Inc
TX	Austin	ASOMA
TX	Houston	All States Steel
TX	Irving	Anchor Crane & Hoist
TX	Dallas	Auto-Trol Technology Corporation
TX	Dallas	Avnet Inc/Hamilton Avnet
TX	Childress	Big Green Farm Supplies
TX	Freeport	Brazos Pipe
TX	Houston	Brown and Root
TX	Houston	Browning Ferris International
TX	Amarillo	Clymer Labs
TX	Houston	Core Labs
TX	Houston	Cortest Instrument Systems
TX	Houston	Crystal Chemical
TX	Farmers Branch	D B Roberts Co.
TX	Dallas	Digital Switching Corp.
TX	Houston	Dresser Industries
TX	Houston	Engineered Processes
TX	Deer Park	Flexitalic Gasket Co.
TX	Houston	Fluor
TX	Houston	Gantrex
TX	Houston	Girard Industries
TX	Houston	Gundle
TX	Conroe	HADCO International
TX	Houston	Halliburton
TX	Dallas	Harrison Equipment Co. Inc.
TX	Houston	Houston Manufacturing Systems
TX	El Paso	Ideal Industrial Electrical Supply
TX	Longview	Industrial Filter Co.
TX	Houston	Inteel Southwest
TX	Houston	Intersales Equipment Co
TX	Houston	Intsel Southwest
TX	Brookshire	Johnston Pump Co.
TX	Stafford	Klockner Moeller
TX	Houston	Krano, Inc.
TX	Houston	L.B. Foster Company
TX	Austin	Lacoste & Romberg
TX	Dallas	Lake of Dallas, Inc.
TX	Richardson	Lee Spring Company, Inc
TX	Houston	M.W. Kellogg
TX	Houston	Marlin Valve Co.
TX	Fort Worth	Micro Moulding Co.
TX	Houston	Mirrless Blackstone
TX	Houston	National Oilwell
TX	Dallas	National Precision Products Co.
TX	Dallas	Northern Telecom
TX	Houston	Pace Engineering
TX	Dallas	Peerless
TX	Grand Prairie	Poly-America, Inc.
TX	Houston	Port-a-Camp
TX	Grapevine	Quantum Technology, Inc
TX	Austin	Radian
TX	Houston	Sepco Sales & Services

State	City	U.S. Company
TX	Houston	Stewart & Stevenson
TX	Fort Worth	TTI, Inc.
TX	Lewisville	Tadiran Electrical Ind. Inc
TX	Irving	Teccor Electronics Inc.
TX	Houston	Tenneco
TX	Lubbock	Terra Seed Co.
TX	Georgetown	Tessco Group, Inc.
TX	Grand Prairie	Texstar, Incorporated
TX	Dallas	Thermalloy Company
TX	Conroe	Tisdale
TX	Houston	Touvy & Cauvin
TX	Houston	Utility Fuels, Inc.
TX	Houston	Wstrn Appliance Sales, Inc.
TX	Richardson	ZEC Sales Company Inc
UT	Logan	Campbell Scientific, Inc.
UT	Salt Lake City	EIMCO
UT	Salt Lake City	Harrison R. Cooper Systems
UT	Salt Lake City	Industrial Supply Comp.
UT	Salt Lake City	Jetway
UT	Salt Lake City	Mark Steel
UT	Salt Lake City	Rocky Mt. Fabrication
UT	Salt Lake City	Simpson Steel
VA	Arlington	Airways Engineering Co.
VA	Alexandria	BellAtlantic
VA	Merrifield	Comsat
VA	Roanoke	Cooper Industries
VA	Fairfax	EER Technologies Corp.
VA	Salem	General Electric
VA	Richmond	Infilco Degremont
VA	Bristol	Ingersoll-Rand
VA	Hampton	Maida Development Company
VA	Arlington	Potomac Marine & Aviation
VA	Chantilly	TEAM Technologies
VA	Reston	US Sprint
VA	Arlington	VITA.
VT	Bethel	G. W Plastics, Incorporated
VT	Williston	Velan Valve Corporation
WA	Seattle	Fisheries Supply Company
WA	Everett	John Fluke
WA	Seattle	Racon
WA	Seattle	Robbins
WA	Tacoma	Simsun Tacoma Kraft
WA	Tacoma	Weyerhaeuser Paper
WI	A.O. Smith	Milwaukee
WI	Marinette	Ansul Fire Protection
WI	Milwaukee	Aqua-Chem
WI	Milwaukee	Boliden-Allis
WI	Milwaukee	Bucyrus-Erie
WI	Milwaukee	Cleverbrooks
WI	Cudahy	Crane Manuf. & Service
WI	Milwaukee	Deister Concentrator Co.
WI	Waukesha	ENVIREX
WI	Walworth	Edu Systems

State	City	U.S. Company
WI	Waukesha	Envirex
WI	Beloit	Fairbanks Morse Engine
WI	Waukesha	Frank N. Woods Co
WI	Milwaukee	Great Lakes Instruments
WI	Racine	J.I. Case
WI	Kohler	Kohler
WI	Phillips	Marquip
WI	Mayville	Mayville Metal Products
WI	Madison	Sea Wire & Cable Inc.
WI	Merrill	Merrill Manufacturing Corporation
WI	Appleton	Miller Electric Manufacturing Co.
WI	Big Bend	Orley Meyer
WI	Milwaukee	Rexworks, Inc.
WI	Milwaukee	Shadbolt & Bolt Company
WI	Milwaukee	Wacker Corp.
WI	Madison	Warman International
WI	Waukesha	Waukesha Foundry
WI	Waukesha	Wisconsin Centrifugal
WV	Huntington	IMO Industrial
WV	Wheeling	Wheeling Rubber Products

# International Financial Institutions



## Justification for Appropriations FISCAL YEAR 1996

## TABLE OF CONTENTS

## EXECUTIVE SUMMARY:

Benefits to the U.S. Economy  
 Good Value for the Money  
 Advancing U.S. Strategic Interests  
 Reflecting U.S. Policy Leadership  
 U.S. Interests on the Line  
 The Budget Request

Summary Table of FY96 Appropriations Request  
 Examples of Projects

## DESCRIPTION OF ACCOUNTS IN DETAIL:

IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFC	International Finance Corporation
MIGA	Multilateral Investment Guarantee Agency
GEF	Global Environment Facility
IDB	Inter-American Development Bank
FSO	Fund for Special Operations
IIC	Inter-American Investment Corporation
MIF	The Multilateral Investment Fund
ADB	Asian Development Bank
ADF	Asian Development Fund
AFDB	African Development Bank
AFDF	African Development Fund
EBRD	European Bank for Reconstruction and Development
NADBANK	North American Development Bank
IMF/ESAF	Enhanced Structural Adjustment Facility
DEBT/ POOREST	Debt Reduction For The Poorest Countries
DEBT/ BUYBACKS	Debt Buybacks

**EXECUTIVE SUMMARY**

The Administration requests \$2,303.9 million in appropriations for the multilateral development banks in FY 1996. These institutions clearly advance U.S. interests. We have consistently supported them because: they benefit our economy, are good value for the money, forward U.S. strategic interests, and are responsive to U.S. leadership.

**The Development Banks Benefit the U.S. Economy**

The multilateral development banks provide substantial direct and indirect economic benefits to the United States. The Banks work with their borrowers to create open, market-oriented, economies, encourage lower tariff barriers, liberalize investment regimes, and privatize state enterprises. As developing country markets become more accessible, enormous opportunities are created for U.S. firms to expand exports and direct investments to the developing world.

Development bank lending goes hand in hand with increases in U.S. exports. This lending strengthens the capabilities of the borrowers, makes them better customers for our goods and services and paves the way for follow-on business in the future.

Last year, U.S. companies earned \$2.7 billion directly from procurement contracts with the Banks. This created or sustained an estimated 54,000 high quality U.S. jobs. Additional U.S. exports on the order of \$5 billion annually are attributable to the market-opening policy reform programs advanced by the Banks. This means that total U.S. exports generated through the development banks last year was \$7.7 billion, which created or sustained at least 146,000 American jobs. The Administration is now engaged in a major outreach effort to further expand U.S. business awareness of the opportunities created by the Banks.

U.S. bilateral export promotion programs -- particularly lending by the Export-Import Bank -- benefits from the development banks. In the past four years, the banks have loaned roughly \$70 billion to the 10 developing countries where the Export-Import Bank has its largest exposure. Development bank lending in support of major policy reforms has been creating a fertile environment for the export successes we had in those 10 countries.

Developing countries are the fastest growing export market for U.S. goods and services and their importance to the U.S. economy is increasing. U.S. exports to developing countries surged from \$91 billion in 1987 to \$197 billion by 1993; they now account for over forty percent of our total exports and create or sustain about 3 million U.S. jobs a year.

Export jobs are, by and large, high-wage and high-productivity jobs. Productivity and incomes in export industries are as much as one-fifth higher than in the economy as a whole. In addition, increases in exports provide a revenue gain to the U.S. It is estimated that an extra \$1 in exports generates some 28 cents in revenues, which helps to reduce the U.S. budget deficit.

The positive results of development bank lending and policy reform work can be seen in Latin America, in India and in Poland. In Mexico, for example, World Bank supported trade reforms, in conjunction with Mexico's GATT commitments, reduced tariff levels from an average of 28 percent to 12 percent between 1986 and 1991. U.S. exports to Mexico rose from \$15 billion in 1987 to \$42 billion in 1993. In India, the World Bank successfully negotiated a reduction in tariffs from 400 percent to 65 percent in 1991; U.S. exports increased from \$1.9 billion in 1992 to \$2.8 billion in 1993. Finally, in Poland, the World Bank/IMF reform program in 1990 led to the replacement of a restrictive, quota-based system to an open trade regime. U.S. exports to Poland increased from \$438 million in 1991 to \$917 million in 1993.

#### The Development Banks are Good Value for the Money

The development banks are also the most cost effective method we have for providing foreign assistance. For every dollar that the U.S. contributes to the development banks, the banks lend more than twenty dollars. This leveraging is the highest in the "hard loan windows" of the banks. In the World Bank for example, for every dollar of paid-in capital, the Bank has lent \$131. It is simply not possible for U.S. bilateral programs to replicate this degree of leveraging or volume of financing.

The Administration has been working to strengthen the development impact of the banks over the past several years, in order to ensure that scarce resources are used most effectively. We have pressed successfully for specific actions by the banks to improve project performance that will maximize the development impact of operations, establish a more open public information policy and an independent inspection panel to address public concerns. We have also actively pressed for zero-real growth in administrative budgets and elimination of unnecessary expenditures. For example, changes in travel policy eliminating first class air travel will save more than \$12 million annually at the World Bank and \$4 million at the European Bank for Reconstruction and Development.

#### The Development Banks Advance U.S. Strategic Interests

Because the Banks are so cost-effective, advance market oriented economic policies, and respond to U.S. initiatives, we

rely heavily on them to advance both our strategic and humanitarian interests. For example, the World Bank is playing a key role in the transition from command to market economies in Central Europe and the former Soviet Union, providing over \$13 billion in support of policy reforms over the past five years. In Latin America, World Bank and Inter-American Development Bank lending totalling about \$11 billion annually has been directly associated with the market-oriented reforms that have restored economic growth and reinforced democracy. These amounts far exceed U.S. bilateral programs. The World Bank is also supporting the Middle East peace efforts, in the West Bank and Gaza, providing a central advisory role as well as a financing role. The Bank has provided rapid emergency financial assistance in Rwanda, Bangladesh and Armenia. And, the Bank is poised to provide major support for economic reform and renewal in South Africa.

In addition to support for basic policy reforms, the development banks also encourage transparency in government operations, greater accountability in public expenditures, and budget policies focussed more on real development priorities. This contributes directly to a supporting environment for democracy to grow and for more stable economies to take hold. To the extent that the development banks can help countries to avert economic chaos, they also potentially save us large and costly expenditures for emergency operations in the future.

#### The Development Banks Reflect U.S. Policy Leadership

The development banks are responding to United States leadership and to our initiatives. The U.S. has taken an active role in shaping the policies and operations of the banks in a wide range of areas and we have been successful in making real progress on our agenda. From cutting costs and streamlining operations, to placing increased emphasis on supporting private enterprise development, the banks are adopting and implementing U.S. policy initiatives. In addition, the banks are focusing their lending on countries seeking to adopt sensible economic policies that promote free markets and democracy -- from South Africa to the Middle East, from Latin America to Central Europe. This lending clearly advances our interests.

#### U.S. Interests are on the Line

Growing U.S. arrears to the development banks -- currently total \$825 million -- and an increasingly uncertain future for U.S. foreign assistance funding puts our leverage and influence in the development banks at risk. This directly undermines the ability of the banks to respond effectively to policy and regional challenges of immediate importance to the United States.

- 4 -

This is a key time for U.S. exporters seeking to expand goods and services to the developing world in an increasingly competitive marketplace. The development banks play an important role in supporting an economic environment in which U.S. exports and investments can continue to grow.

Finally, many developing countries in Central Europe, Latin America, and Asia are at a crossroad, seeking to develop policies that promote open markets and democracy. Strong support, primarily from the development banks, will be necessary to encourage these reforms to continue.

#### The Administration's Budget Request

The Administration has worked hard to contain the budgetary costs of U.S. participation in the development banks. During this Administration, all U.S. contributions to new replenishment agreements and capital increases for the Banks have been reduced. This means reduced costs for the U.S. taxpayer.

The Administration has also pledged to eliminate our arrears to the development banks over the next three years. The United States is the only major donor country with substantial arrears. Other countries have budgetary constraints but still manage to keep their commitments to these institutions.

The Administration's FY96 request for the development banks is \$2,303.9 million. This includes \$1,898.9 million for scheduled payments and \$415 million for payments of arrears. (See table at the end of this summary for a detailed account of the request). More than half of our request is for the International Development Association which promotes growth and economic reform in the world's poorest countries.

The following report outlines in detail and by institution, the Administration's justification for appropriations in fiscal year 1996.

**INTERNATIONAL FINANCIAL INSTITUTIONS**  
 Summary of FY1996 Budget Request (to nearest dollar)

Table 1

	FY 1994 <u>Appropriation</u> *	FY 1995 <u>Appropriation</u>	FY 1996 <u>Request</u>
<b>INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT</b>			
Paid-in	27,910,500	23,009,101	28,189,963
Callable	< 902,439,500 >	< 743,923,914 >	< 911,475,013 >
TOTAL IBRD	930,350,000	766,933,015	939,664,976
INTERNATIONAL DEVELOPMENT ASSOCIATION	1,024,332,000	1,235,000,000	1,368,168,000
INTERNATIONAL FINANCE CORPORATION	35,761,500	68,743,028	67,556,000
GLOBAL ENVIRONMENT FACILITY	30,000,000	90,000,000	110,000,000
<b>INTER-AMERICAN DEVELOPMENT BANK</b>			
Paid-in	56,166,000	28,111,959	25,952,110
Callable	< 2,190,283,457 >	< 1,594,568,180 >	< 1,523,767,142 >
Subtotal	2,246,449,457	1,622,680,139	1,549,719,252
FUND FOR SPECIAL OPERATIONS	20,164,000	21,338,000	20,835,000
INTER-AMERICAN INVESTMENT CORPORATION	0	190,000	0
TOTAL IDB	2,266,613,457	1,644,208,139	1,570,554,252
MULTILATERAL INVESTMENT FUND	75,000,000	75,000,000	100,000,000
<b>ASIAN DEVELOPMENT BANK</b>			
Paid-in	13,026,366	0	13,221,596
Callable	< 95,438,437 >	< 0 >	< 647,858,204 >
Subtotal	108,464,803	0	661,079,800
ASIAN DEVELOPMENT FUND	62,500,000	167,960,000	304,528,525
TOTAL ADB	170,964,803	167,960,000	965,608,325
<b>AFRICAN DEVELOPMENT BANK</b>			
Paid-in	0	133,000	0
Callable	< 0 >	< 2,002,540 >	< 0 >
TOTAL AFDB	0	2,135,540	0
AFRICAN DEVELOPMENT FUND	135,000,000	124,229,309	127,247,025
<b>EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT</b>			
Paid-in	0	69,180,353	81,916,447
Callable	< 0 >	< 161,420,824 >	< 191,138,376 >
TOTAL EBRD	0	230,601,177	273,054,823
<b>NORTH AMERICAN DEVELOPMENT BANK</b>			
Paid-in	0	56,250,000	56,250,000
Callable	< 0 >	< 318,750,000 >	< 318,750,000 >
TOTAL NAD Bank	0	375,000,000	375,000,000
<b>MDB Other</b>			
Paid-in	0	0	0
Callable	< 0 >	< 0 >	< 0 >
Subtotal	0	0	0
<b>Budget Authority</b>	<b>1,479,860,366</b>	<b>1,959,144,750</b>	<b>2,303,864,666</b>
<b>Program Limitation</b>	<b>&lt; 3,188,161,394 &gt;</b>	<b>&lt; 2,820,665,458 &gt;</b>	<b>&lt; 3,592,988,735 &gt;</b>
<b>TOTAL MDBs</b>	<b>4,668,021,760</b>	<b>4,779,810,208</b>	<b>5,896,853,401</b>
<b>INTERNATIONAL MONETARY FUND</b>			
QUOTA INCREASE	0	0	0
ENHANCED STRUCTURAL ADJUSTMENT FACILITY	0	25,000,000	25,000,000
<b>DEBT RESTRUCTURING</b>			
Poorest Countries	7,000,000	7,000,000	27,000,000
Buyback	-	-	15,000,000
<b>TOTAL BUDGET AUTHORITY</b>	<b>1,486,860,366</b>	<b>1,991,144,750</b>	<b>2,370,864,666</b>

\* Post revision of IBRD.

Treas/OASIA/IDB  
10-Jan-95

**INTERNATIONAL FINANCIAL INSTITUTIONS**  
 Plan to Clear Outstanding Arrears by end-FY 1998 (to nearest dollar)

Table 2

	Arrears Cleared	Outstanding	Arrears to clear in 2nd - 4th Year of Plan		
	FY 1995 (1st Year)	Arrears (end-FY95)	FY 1996 (2nd Year)	FY 1997 (3rd Year)	FY 1998 (4th Year)
<b>IBRD</b>					
Paid-in	23,009,101	28,189,963	28,189,963	0	0
Callable	< 743,923,914 >	< 911,475,013 >	< 911,475,013 >	< 0 >	< 0 >
<b>TOTAL IBRD</b>	<u>766,933,015</u>	<u>939,664,976</u>	<u>939,664,976</u>	<u>0</u>	<u>0</u>
<b>IDA</b>	(15,000,000)	324,504,000	118,168,000	103,168,000	103,168,000
<b>IFC</b>	18,743,028	20,000,000	20,000,000	0	0
<b>GEF</b>	(10,000,000)*	10,000,000 *	10,000,000 *	0	0
<b>IDB</b>					
Paid-in	2,501,292	341,443	341,443	0	0
Callable	< 110,866,665 >	< 20,047,681 >	< 20,047,681 >	< 0 >	< 0 >
Subtotal	113,367,957	20,389,124	20,389,124	0	0
IDB/FSO	762,000	259,000	259,000	0	0
IIC	190,000	0	0	0	0
<b>TOTAL IDB</b>	<u>114,319,957</u>	<u>20,648,124</u>	<u>20,648,124</u>	<u>0</u>	<u>0</u>
MIF	(25,000,000)	60,000,000	0	0	60,000,000
<b>ADB</b>					
Paid-in	-	0	0	0	0
Callable	< - >	< 0 >	< 0 >	< 0 >	< 0 >
Subtotal	0	0	0	0	0
ADF	(2,040,000)	267,017,050	134,528,525	132,488,525	0
<b>TOTAL ADB</b>	<u>(2,040,000)</u>	<u>267,017,050</u>	<u>134,528,525</u>	<u>132,488,525</u>	<u>0</u>
<b>AFDB</b>					
Paid-in	133,000	0	0	0	0
Callable	< 2,002,540 >	< 0 >	< 0 >	< 0 >	< 0 >
<b>TOTAL AFDB</b>	<u>2,135,540</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>AFDF</b>	19,229,309	42,985,191 *	22,247,025 *	20,738,166 *	0
<b>EBRD</b>					
Paid-in	(840,247)	81,916,447	81,916,447	0	0
Callable	< (1,960,576) >	< 191,138,376 >	< 191,138,376 >	< 0 >	< 0 >
<b>TOTAL EBRD</b>	<u>(2,800,823)</u>	<u>273,054,823</u>	<u>273,054,823</u>	<u>0</u>	<u>0</u>
<b>Budget Authority</b>	11,687,483	835,213,094	415,650,403	256,394,691	163,168,000
<b>Program Limitation</b>	< 854,832,543 >	< 1,122,661,070 >	< 1,122,661,070 >	< 0 >	< 0 >
<b>TOTAL MDBs</b>	<u>866,520,026</u>	<u>1,957,874,164</u>	<u>1,538,311,473</u>	<u>256,394,691</u>	<u>163,168,000</u>
<b>IMF</b>					
QUOTA INCREASE	-	-	-	-	-
ESAF	(75,000,000)*	75,000,000 *	25,000,000	25,000,000	25,000,000
<b>TOTAL IFIs</b>	<u>(63,312,517)</u>	<u>910,213,094</u>	<u>440,650,403</u>	<u>281,394,691</u>	<u>188,168,000</u>
<b>BUDGET AUTHORITY</b>					

**Note:**

Arrears carry forward (with full funding)

469,562,691

188,168,000

0

\* GEF Arrears will not appear until FY 1996 or FY 1997. FY 1994 appropriations of \$30 million help cover early years of replenishment. ADFD arrears depend on conclusion of ADFD-7 negotiations. ADFD-7 replenishment was intended to cover 1994-96 operations. ESAF Arrears would not appear until FY 2000. FY 1995 appropriations of \$25 million cover scheduled FY 1997-99 encashments.

EXAMPLES OF HOW DEVELOPMENT BANK LOANS AND PROGRAMS  
SERVE MAJOR U.S. INTERESTS

The following are selected examples of loans extended by the MDBs which serve some of the U.S. interests discussed above: encouragement of market-oriented economic reforms, promotion of good governance, contribution to political stability, and assistance to countries in transition.

Market-Oriented Economic Reform

The World Bank, the Inter-American Development Bank, and other multilateral and bilateral lenders coordinated closely while working with Ecuador to develop a macroeconomic adjustment and a longer-term country assistance strategy. The strategy is the basis of these institutions' lending programs and project pipelines.

As a first step, Ecuador concluded a Stand-By arrangement with the International Monetary Fund in 1994 to address macroeconomic stabilization concerns. Ecuador's objectives are to reduce inflation and achieve a fiscal surplus in 1995, maintain sound monetary policies, complete liberalization of its exchange regime, conclude its commercial bank debt restructuring, and further reduce its trade barriers.

These reforms were complemented by related World Bank (IBRD) and Inter-American Development Bank (IDB) programs. In 1994, the two development banks together approved nearly \$500 million to support three related structural and sectoral adjustment programs. A \$200 million IBRD Structural Adjustment loan and two technical assistance loans will help Ecuador to develop capital market laws and regulations, implement tax and customs reforms; and develop its legal structure to govern and privatize state owned enterprises in three infrastructure sectors -- telecommunications, hydrocarbons, and electricity. The program will also assist the Government of Ecuador to streamline its operations and establish more efficient regulatory and operating practices.

Under the \$100 million Financial Sector Reform loan from the IDB, Ecuador will modernize its central banking operations; develop regulatory systems to ensure prudential oversight of its insurance and securities industries and its pension system; develop new financial instruments to attract medium- and long-term savings to banks; and develop new instruments to channel funds to the private sector, particularly small-scale and rural operators.

To support Ecuador's rescheduling agreement with its commercial bank creditors, the IBRD and IDB together provided \$160 million for Debt and Debt Service Reduction loans. These loans will enable Ecuador to conclude its bank agreement, thus lowering its debt payments to a manageable level and ensuring repayment over the longer term.

The reforms are in the interest of the people of Ecuador, who will benefit from stable prices, new economic opportunities, increased governmental efficiency, manageable debt service obligations, and an open trading regime as well as higher rates of economic growth. These reforms are also in the best interest of the United States: a Latin American country will develop economic stability, establish a growing market, and will have a regulatory framework under which both domestic and foreign firms can operate.

#### Good Governance

The MDBs have funded many operations to open markets, develop transparency in government operations, and to provide greater government accountability. Georgia borrowed \$10 million from IDA for its Institution Building Project, which will modernize operations in government-owned entities, revise tariff and tax structures, and begin a program of mass privatization.

Cambodia received a \$17 million credit from IDA for a Technical Assistance project in support of the Government's programs in: public expenditure control; public investment management; foreign debt management; public sector personnel management; and private sector development. This project will help the Cambodian Government improve its monitoring and control systems, and planning, programming and budgeting activities; develop its institutional and legal framework; manage its external debt; reform its personnel management and reduce public sector employment; develop its legal and institutional structure to oversee economic and financial institutions; and strengthen its system of codifying and publishing judicial decisions, which will serve as a foundation for the Government's system of jurisprudence.

#### Political Stability

The development banks can rapidly mobilize resources for countries which are located in regions troubled by political instability or emerging from conflict.

The IDA recently made a \$30 million Emergency Assistance loan to the Occupied Territories to finance investments in Gaza and the West Bank. The program will finance: (1) elimination of critical public infrastructure bottlenecks and generation of employment; and (2) creation of an enabling environment for the private sector through institutional reform of the financial system, and lines of credit targeted to key private sectors of the economy--tourism, agriculture, industry and housing. These emergency measures will jump start growth in this area.

Burundi has experienced some of the same ethnic conflict as Rwanda, but has thus far avoided the carnage that has devastated Rwanda. The IDA recently made a \$14.6 million Emergency

Assistance Project loan to Burundi which will fund critically needed health programs and medical supplies, reopen schools, supply tools and seeds to dislocated populations, and finance some public works. This is part of a \$53 million program coordinated by IDA and supported by bilateral donors to maintain stability in the region.

Haiti also benefitted from a \$40 million Emergency Recovery Credit from IDA. The credit is part of a preliminary \$402 million multilateral and bilateral effort to rehabilitate critical economic and social infrastructure of the country in agriculture, power, roads and bridges, water and sanitation, education, health and the environment. It will help sustain Haiti over the next 12-18 months.

### Countries in Transition

The IBRD recently made a \$500 million loan to the Ukraine to meet a broad spectrum of development objectives. To obtain the loan, the Government of Ukraine agreed to an extensive reform program, including closing a number of unprofitable parastatals and privatization of 200 state-owned enterprises, price reforms, introduction of competitive methods of government procurement, abolition of export quotas and licenses, and reduction of import tariffs, and modernization of its foreign exchange market. The program will promote the development of competitive financial markets; provide technical assistance to improve efficiency and financial discipline in enterprises, farms, and banks; and provide a framework for financial assistance from other donor agencies.

The European Bank for Reconstruction and Development made a \$100 million loan to Russia to strengthen and develop a core of up to 36 banks that will form the basis of the Russian commercial banking sector in the foreseeable future. The objective is to assist a group of banks to quickly achieve international standards, thus strengthening the financial sector and improving the quantity and quality of financial services. The project will finance institutional development, systems modernization, and technology development programs. It will be implemented through twinning arrangements with reputable private foreign banks.

## INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

JUSTIFICATION FOR  
FY 1996 APPROPRIATIONS

**Budget Authority Request:**       \$ 28,189,963 paid-in capital  
                                      \$ 911,475,013 callable capital

The request will complete U.S. payments for the general capital increased for the World Bank agreed in 1988.

**I. Institutional Mandate**

The International Bank for Reconstruction and Development (IBRD) was established with U.S. leadership in 1945 to make or guarantee loans for reconstruction and economic development projects. The IBRD, whose capital is subscribed by its 178 member countries, finances its lending operations primarily from its own borrowings in world capital markets. A substantial portion of the IBRD's loanable resources also comes from its retained earnings and the flow of repayments on its outstanding loans.

The IBRD makes loans at near market-based rates to middle and lower income developing country members. (The poorest countries have access to concessional resources through the International Development Association.) It has a global focus with 78 potential borrowing member countries; East Asia and the Pacific, Europe and Central Asia, and Latin American and the Caribbean each are each projected to account for 25-30 percent of lending over the next three years. (Twenty-six past IBRD borrowers have graduated, the latest being Korea.)

In addition to supporting investment lending, the Bank works closely with borrowing countries to design and implement fundamental policy reforms necessary for open and free-market oriented growth. Policy reform in a host of areas -- finance, public enterprise, industry, energy and agriculture -- is essential to generate adequate economic growth to reduce poverty and advance sustainable development. In addition, the IBRD directs a large and growing portion of its lending to social sector needs, such as for primary health and education programs and urban and rural development. The IBRD also provides a wide range of technical assistance, particularly in support of institution building; its non-lending activities are of major and growing importance.

**II. U.S. Interests**

The IBRD is a uniquely effective instrument to advance U.S. domestic and foreign policy objectives. Since 1945, \$1.9 billion in U.S. paid-in capital has supported IBRD loans of \$249 billion, a ratio of 131 to 1.

- 2 -

IBRD efforts to encourage and support developing country growth also help develop markets for U.S. exports and create U.S. jobs. More than 40 percent of U.S. exports now go to developing countries, and the share is rising. Every additional \$1 billion of exports creates 20,000 new jobs in the United States.

U.S. participation in the IBRD is good for U.S. business. As of June 30, 1994, cumulative U.S. procurement on IBRD contracts totaled \$19.4 billion, i.e., ten times the amount of U.S. paid-in capital.

The economic growth and policy reforms, including trade liberalization, promoted by IBRD programs provide an even more substantial boost to U.S. exports. The positive results of World Bank supported reform can be seen in the successful resurgence of growth in Latin America, a region where reform efforts have been strongly supported by over \$32 billion in IBRD lending over the last six years, and which is now the fastest growth market for U.S. exports. In Mexico, the IBRD's adjustment programs in conjunction with Mexico's GATT commitments, supported a reduction in Mexican tariff levels from an average of 28 percent to 12 percent between 1986 and 1991 (i.e., a larger change than NAFTA); with U.S. exports to Mexico rising from \$15 billion in 1987 to \$42 billion in 1993.

In addition, IBRD-supported policy reforms help create a friendly environment for U.S. industrial and financial investors. For example, the Export-Import Bank benefits from IBRD efforts to promote market-oriented growth necessary for its operations. In addition, U.S. consulting and engineering firms are receiving more than \$100 million annually in disbursements on consulting contracts awarded with World Bank funds.

The IBRD also addresses critical U.S. security interests, helping former foes to begin to make peaceful transitions to market-oriented economies. For example, the IBRD has committed over \$8 billion to Eastern Europe over the last five years with 36 additional IBRD projects totalling \$3.8 billion currently under preparation. There are also 63 IBRD projects totalling \$3.6 billion currently under preparation for members (excluding Russia) of the former Soviet Union. Total IBRD lending to "Europe and Central Asia" over the next three years is projected at almost \$14 billion. The Bank's central advisory, aid-coordination, and financing role in the West Bank and Gaza is also supportive of Middle East peace efforts.

Other examples of IBRD efforts which advance U.S. interests include a World Bank agreement to provide \$1.8 billion over three years for environmental projects in Mexico (a key component in environmental clean-up efforts along our shared border) and the Bank's support for India's program of economic reform and

liberalization. (U.S. exports to India increased from \$1.9 billion in 1992 to \$2.8 billion in 1993.)

### III. The U.S. Policy Agenda for the World Bank

The Administration, in close consultation with the Congress, has worked hard with World Bank management and other member countries to further strengthen the Bank's ability and effectiveness in promoting economic growth. Our goal has been to increase the developmental impact of World Bank lending, and to increase the emphasis the bank places on poverty reduction, the development of the private sector and environmental protection. We have pressed hard and successfully for better control of operating costs. Major progress has been achieved. Reform steps taken by the World Bank include:

- o adoption of a comprehensive action plan to strengthen the Bank's portfolio management practices, to improve the quality of projects at entry, restructure projects where necessary, and bolster project management.
- o a pro-active approach to private sector development; including the adoption of a policy to expand the use of guarantees to stimulate private capital flows.
- o increased focus on institution building to contribute to a more favorable climate for private sector growth and foreign investment.
- o adoption of stringent requirements for environmental impact assessments and the articulation of clear policies for Bank lending in forestry, energy, agriculture and water resources.
- o adoption of a more open information policy which expands the technical and other information, including environmental assessments, made available to the public.
- o establishment of an independent inspection panel to address public concerns on whether the Bank is observing its own policies, rules and procedures in the design, appraisal and/or implementation of its operations.
- o adoption of sound resettlement guidelines.
- o commitment to prepare poverty assessments, private sector assessments and environmental action plans for all borrowers.
- o preparation of country assistance strategies identifying sectoral lending priorities and discussing portfolio performance for individual borrowers. These strategies

- 4 -

provide the Board with an important oversight tool, including illustrative lending levels for all borrowers.

- o commitment to increase lending for **human resource development**, including **population and related activities**; also to strengthen the emphasis on women in development.
  - the percentage of lending for human resources (education, population, health and nutrition) is expected to rise from 15 percent in FY92-94 to 20 percent in FY95-97.
- o steps to begin expanding broad-based **beneficiary participation** in Bank projects, including pre-project consultations with affected people and experts from across the spectrum.

On the administrative side:

- o **internal budgeting and accounting procedures** have been totally revised, increasing the responsibility and accountability of individual managers.
- o the FY 1995 **Administrative Budget** reflected President Preston's commitment to a zero real growth framework; the goal is a real reduction of up to six percent in each of the next two years.
- o first class travel has been eliminated.
- o **redeployment of staff** has accelerated; selective reorganization is in process.

#### IV. Third General Capital Increase

On April 27, 1988, the IBRD's Board of Governors agreed to a General Capital Increase of \$74.8 billion, 3 percent paid-in capital and 97 percent callable capital. The U.S. subscription over a six-year period is 18.75 percent of total subscriptions. The annual appropriation request for the paid-in portion of the GCI would be \$70.1 million annually for six years, and the annual callable capital authorization request under program limitations would be \$2,267 million annually for six years.

During the 1988 General Capital Increase negotiations, the U.S. was successful in getting the following policy goals adopted: (1) the alleviation of poverty will receive even greater emphasis, (2) environmental protection will become a permanent priority in the institution, (3) private sector development will receive increased emphasis, (4) the production of primary commodities will be supported only where such production is efficient, and

(5) assisting heavily indebted countries to grow out of debt and recession will be a priority.

V. U.S. Financial Commitments

U.S. subscriptions to the World Bank were \$30.025 billion, of which \$1.94 billion was paid in as of June 30, 1994. The U.S. share was 17.66 percent of the total subscribed capital.

The initial authorized capital of the Bank was \$10 billion, divided into 100,000 shares having a par value of \$100,000 each. U.S. membership in the IBRD and an original capital subscription of \$3,175 million -- 34 percent of the total -- were authorized in 1945 (P.L. 79-171). A total of \$7,670 million of this authorized capital was subscribed by June 30, 1946. The first General Capital Increase (GCI) of the Bank was authorized in 1959 and the second GCI was authorized in 1980. The U.S. also participated in Selective Capital Increases (SCIs) in 1977 and 1984. Further additions to capital have been approved to cover new admissions and individual increases.

In 1988, the Board of Directors recommended a \$74.8 billion General Capital Increase (GCI). In September 1988, Congress authorized U.S. participation in this (the third) GCI. In FY 1989, Congress appropriated \$50 million of paid-in capital and \$2,293 million for subscription of callable capital was made available pursuant to program limitations (P.L. 100-461). This resulted in a shortfall of \$20.1 million on paid-in capital and an over-subscription of \$26 million on the callable capital.

In FY 1990, Congress appropriated \$49.8 million (post-sequestration) for paid-in capital and \$0 for callable capital (P.L. 101-167). This resulted in an additional shortfall of \$20.3 million for paid-in capital for a total shortfall of \$40.5 million for paid-in capital as well as a shortfall of \$2,241.9 million for callable capital.

In FY 1991, the Administration requested appropriation of \$110.6 million for paid-in capital and \$2,900 million under program limitations for callable capital subscriptions for the General Capital Increase. The request included \$40.5 million for arrears on paid-in capital from FY 1989. The total request was appropriated (P.L. 101-513).

In FY 1992, FY 1993 and FY 1994, the Administration requested an appropriation of \$70.1 million for paid-in capital and \$2,267 million under program limitations for callable capital subscriptions for the GCI. Congress appropriated \$69.1 million and \$62.2 million for paid-in capital in FY 1992 and FY 1993. In FY 1994, Congress appropriated \$ 27.9 million.

- 6 -

In FY 1995, the Administration requested an appropriation of \$23.3 million for paid-in capital and \$753 million under program limitations for callable capital subscriptions. Congress appropriated \$23 million.

The \$28.2 million requested in FY 1996 will be the final U.S. payment for its subscription to the GCI.

U.S. TREASURY DEPARTMENT

(Dollars in Thousands)

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Authorization	Total Authorized U.S. Participation	Appropriations	Amount
Public Law 79-171 -1/:			
Paid-In Capital.....	635,000		
Callable Capital.....	2,540,000		
	<u>3,175,000</u>		
Public Law 88-48 -1/:			
Public Debt Authorization	3,175,000		
Public Law 81-599:			
Paid-In Capital.....	24,610		12,305
Callable Capital.....	221,490		110,745 >
	246,100		
Public Law 95-118:			
Paid-In Capital.....	156,866		39,000
Callable Capital.....	1,411,971		342,000 >
For'n Ass. & Ref'd Prog's Approp's Act 1978 (PL 95-146):			
Paid-In Capital.....			<
Callable Capital.....			16,308
For'n Ass. & Ref'd Prog's Approp's Act 1979 (PL 95-481):			
Paid-In Capital.....			<
Callable Capital.....			146,771 >
1980 Continuing Resolution (PL 96-123):			
Paid-In Capital.....			16,300
Callable Capital.....			146,687 >
1981 Continuing Resolution (PL 96-538):			
Paid-In Capital.....			32,789
Callable Capital.....			285,097 >
For'n Ass. & Ref'd Prog's Approp's Act 1982 (PL 97-121):			
Paid-In Capital.....			37,168
Callable Capital.....			334,508 >
1983 Continuing Resolution (PL 97-278):			
Paid-In Capital.....			18,321
Callable Capital.....			146,697 >
	<u>1,568,956</u>		<u>1,568,956</u>

## INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (CON'T)

Authorization	Total Authorized U.S. Participation	Appropriations	Amount
Public Law 97-35:		For'n Ass. & Ref'd Prog's Approp's Act 1982 (PL 97-121):	
Paid-In Capital.....	658,305	Paid-In Capital.....	109,721
Callable Capital.....	8,149,256	Callable Capital.....	< 1,953,220 >
	8,807,561	1983 Continuing Resolution (PL 97-276):	
		Paid-In Capital.....	109,721
		Callable Capital.....	< 1,383,379 >
		1984 Continuing Resolution (PL 98-151):	
		Paid-In Capital.....	79,721
		Callable Capital.....	< 983,220 >
		For'n Ass. & Ref'd Prog's Approp's Act 1985 (PL 98-473):	
		Paid-In Capital.....	109,722
		Callable Capital.....	< 1,953,220 >
		Supplemental Appropriations Act, 1985 (PL 99-68):	
		Paid-In Capital.....	30,001
		Callable Capital.....	< 370,024 >
		For'n Ass. & Ref'd Prog's Approp's Act 1986 (PL 99-190):	
		Paid-In Capital.....	109,721
		Callable Capital.....	< 1,953,220 >
		1986 Sequestration (PL 99-177):	
		Paid-In Capital.....	-4,718
		1987 Continuing Resolution (PL 99-591):	
		Paid-In Capital.....	55,805
		Callable Capital.....	< 688,262 >
		1988 Continuing Resolution (PL 100-202):	
		Paid-In Capital.....	40,176
		Callable Capital.....	< 437,320 >
Public Law 99-190:			
Paid-In Capital.....	131,448		
Callable Capital.....	1,370,819		
	1,502,267		
Public Law 100-461:			
Paid-In Capital.....	420,758		
Callable Capital.....	13,804,508		
	14,025,266		
		For'n Ass. & Ref'd Prog's Approp's Act 1989 (PL 100-461):	
		Paid-In Capital.....	50,001
		Callable Capital.....	< 2,292,973 >
			2,342,974

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (CON'T)

(Dollars in Thousands)

Authorization	Total Authorized U.S. Participation	Appropriations	Amount
		For'n Ass. & Rel'd Prog's Approp's Act 1990 (PL 101-167):	
		Paid-In Capital.....	49,786
		Callable Capital.....	0
			49,786
		For'n Ass. & Rel'd Prog's Approp's Act 1991 (PL 101-513):	
		Paid-In Capital.....	110,592
		Callable Capital.....	2,899,610
			3,010,202
		1991 Sequestration (PLs 99-177, 100-119, 101-508).....	-2,101
		1991 Sequestration Restoration (PL 102-27).....	2,101
		1992 Continuing Resolutions (PLs 102-145, 102-266):	
		Paid-In Capital.....	89,069
		Callable Capital.....	2,233,903
			2,302,972
		For'n Ass. & Rel'd Prog's Approp's Act 1993 (PL 102-391):	
		Paid-In Capital.....	62,180
		Callable Capital.....	2,010,513
			2,072,693
		For'n Ops. & Rel'd Prog's Approp's Act 1994 (PL 103-67):	
		Paid-In Capital.....	55,621
		Callable Capital.....	1,804,679
			1,860,700
		1994 Recision by Fifty percent (PL - )	
		Paid-In Capital.....	(27,910)
		Callable Capital.....	(802,440)
			(830,350)

Amounts in '<' >' Indicate callable capital subscriptions provided under program limitations.

\_1/ Public Debt Authorization

(Dollars in Thousands)

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (CON'T)

Authorization	Total Authorized U.S. Participation	Appropriations	Amount
		For'n Ops. & Ref'd Prog's Approp's Act 1995 (PL 103-306):	
		Paid-In Capital.....	23,009
		Callable Capital.....	743,824 >
			766,933
		1998 REQUEST:	
		Paid-In Capital.....	26,190
		Callable Capital.....	911,475 >
			939,665

## INTERNATIONAL DEVELOPMENT ASSOCIATION

JUSTIFICATION FOR  
FY 1996 APPROPRIATIONS

**Budget Authority Request:** \$ 1,368,168,000 contribution

The request will fund the \$1,250 million third and final installment to the tenth replenishment of the International Development Association (IDA 10) plus \$118.2 million of our \$324.5 million arrears on the first two installments.

**I. Institutional Mandate**

IDA was established in 1960 as an affiliate of the International Bank for Reconstruction and Development (IBRD) to make or guarantee economic development loans to the poorest and least creditworthy developing country members and to do so on concessional terms. (The IBRD lends on market-based terms.)

IDA eligibility is limited to countries with a per capita income below \$835 which have limited or no ability to borrow on market terms and are able to use IDA resources effectively. Seventy seven countries are now eligible for IDA, accounting for 57 percent of the world's population. IDA funds come largely from donor contributions negotiated in general replenishments and from repayments of past IDA credits.

A large share of IDA resources goes to the low income countries of Sub-Saharan Africa and Asia. However, other regions also benefit. As of November 15, 1994, IDA projects totalling \$525 million were under preparation for the poorest countries of Latin America and the Caribbean. IDA projects of \$600 million were also being prepared in the Former Soviet Union for Armenia, Azerbaijan, Georgia, Kyrgyzstan, and Tajikistan. Projects with \$125 million in IDA funding were under preparation for Albania and FYR Macedonia.

IDA's financial resources and technical skills enable it to play a central role in aid-coordination and in the mobilization of donor and borrower resources in support of priority development objectives. IDA chaired or provided substantial input to 38 donor meetings last year. Nineteen donors now participate in the IDA-led Special Program of Assistance which promotes economic reform and adjustment in Africa.

IDA's capabilities are also deployed to counter natural disasters, e.g., earthquake reconstruction in Armenia and India in FY 1994, and flood reconstruction in Pakistan and drought alleviation in Kenya in FY 1993. IDA is also active in current efforts to spur emergency economic recovery in Burundi and Haiti, and will play a lead role in supporting similar efforts in Rwanda when the situation permits.

## II. U.S. Interests

IDA is a highly effective aid instrument for promoting policy reform in poor countries; 25-30 percent of IDA lending supports the design and implementation of the basic policy reforms necessary for open and free-market oriented growth. Policy reform in such areas as finance, public enterprise, industry, energy and agriculture, is essential to generate the economic growth necessary to reduce poverty and overcome the serious development challenges which confront the poorest countries.

Human resource-related development (e.g., education and health) is also a major IDA priority, accounting for one-third of IDA's investment lending. In addition, almost thirty percent of IDA projects have components specifically focussed on private sector development.

IDA is a cost-effective way for the United States to assist the poorest countries. There are now over thirty IDA donors, and the U.S. share of donor country funding has decreased from 42 percent to 20.86 percent. Repayments on past credits now finance 18 percent of new lending. IDA lends \$6 for every dollar the U.S. contributes. The World Bank (including IDA) is also operating on a zero real growth administrative budget and has targeted budgetary reductions of six percent in real terms for each of the next two years.

The United States has retained the lead in shaping IDA policies and operations. Successive Administrations have worked closely with the Congress, IDA management, and other member countries to further increase the development impact of IDA resources and affirm the central role which economic performance and commitment to sound development policies play in the country allocation of IDA resources.

As a result, major progress has taken place in strengthening the emphasis IDA places on encouraging market forces, public sector reform and good governance, private sector development, protection of the environment, and on human resource development. A comprehensive action program to strengthen IDA's lending effectiveness is also underway. In addition, other recent reform steps taken by the World Bank -- e.g., adoption of a more open public information policy, the establishment of an independent inspection panel to address public concerns, and steps to increase beneficiary participation in projects -- will strengthen IDA operations.

IDA produces progress. Twenty countries have graduated from IDA, two of which (Korea and Turkey) are now IDA donors. Social indicators in current borrowers are improving and economic reform is taking root. The benefits of IDA-supported reform can be seen in such countries as Bolivia, Ghana, India and Uganda.

Elsewhere in Sub-Saharan Africa, the outlook for countries with IDA-supported programs is better today than it has been for a long time.

IDA's efforts to promote policy reform and human resource development foster stability. They also pay large dividends for U.S. interests. The 20 countries which have graduated from IDA purchased \$42 billion in U.S. exports in 1993. They have Export-Import Bank exposure of \$9.4 billion and OPIC exposure of \$1 billion. U.S. exports to current IDA borrowers rose from \$14.5 billion in 1988 to \$20.3 billion in 1993. They account for \$7.4 billion in Export Import Bank exposure and \$.7 billion in OPIC exposure.

### III. Tenth Replenishment of IDA Resources (IDA 10)

IDA 10 is funding operations for the three year period beginning July 1, 1993. The total size of the replenishment is SDR 13 billion (about \$18 billion). When combined with reflows on past IDA credits and transfers from IBRD net income, IDA 10 is projected to support new commitments of roughly SDR 16 billion (\$22 billion). The IDA 10 agreement also contains a comprehensive policy agenda to strengthen IDA's development impact.

The United States remains IDA's largest donor, providing 20.86 percent of IDA 10. Other key donors are Japan (20.00 percent), Germany (11.00 percent), France (7.30 percent), the United Kingdom (6.15 percent), Italy (5.30 percent), and Canada (4.00 percent).

The IDA 10 agreement specifically provides that in the event of a shortfall in U.S. contributions, other donors are allowed to make proportional reductions in the level of their payments. In effect, a \$1 reduction in the U.S. commitment to IDA translates into a potential \$5 decline in the resources available to IDA during a given replenishment period.

### IV. U.S. Financial Commitments

United States membership in the International Development Association and an original subscription of \$320 million were authorized in June 1960 (P.L. 86-565). The United States has subsequently participated in all ten replenishment negotiations of IDA resources. While the United States provided a 42 percent share in IDA's initial agreement (as well as in the first replenishment), the U.S. share has declined substantially over time to 23.2 percent in IDA 8, 21.61 percent in IDA 9, and 20.86 percent in IDA 10.

- 4 -

The Agreement on the Tenth Replenishment entails a total United States' contribution of \$3,750 million spread over three years.

In FY 1994, the Administration requested \$1,250 million for the first installment of its contribution to IDA-10. Congress appropriated \$1,024.5 million, leaving a shortfall of \$225.7 million. In addition, the United States still has \$83.8 million in arrears outstanding on the Ninth Replenishment. Thus total U.S. arrears to IDA at the end of calendar year 1993 were \$309.5 million.

In FY 1995, the Administration requested \$1,250 million for the second installment. Congress appropriated \$1,235 million. The \$15 million shortfall raised U.S. arrears to \$324.5 million.

U.S. TREASURY DEPARTMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION

(Dollars in Thousands)

Authorization	Total Authorized U.S. Participation	Appropriations	Amount
Public Law 86-565: Initial Subscription.....	320,290	First Supplemental, 1961 (PL 86-652)..... For'n Ass. & Rel'd Agencies Approp's Act 1962 (PL 87-329)..... For'n Aid & Rel'd Agencies Approp's Act 1963 (PL 87-872)..... For'n Aid & Rel'd Agencies Approp's Act 1964 (PL 88-259)..... For'n Aid & Rel'd Agencies Approp's Act 1965 (PL 88-634).....	73,666 81,656 81,656 81,656 320,290
Public Law 88-310: Increase in Resources.....	312,000	For'n Ass. & Rel'd Agencies Approp's Act 1966 (PL 89-273)..... For'n Ass. & Rel'd Agencies Approp's Act 1967 (PL 89-691)..... For'n Ass. & Rel'd Agencies Approp's Act 1968 (PL 90-249).....	104,000 104,000 312,000
Second Replenishment.....	480,000	Second Supplemental Appropriations Act, 1969, (PL 91-470)..... For'n Ass. & Rel'd Agencies Approp's Act 1970 (PL 91-194)..... For'n Ass. & Rel'd Agencies Approp's Act 1971 (PL 91-619).....	180,000 180,000 480,000
Public Law 92-247: Third Replenishment.....	960,000	Joint Resolution making Continuing Appropri., 1973, (PL 93-9)..... For'n Ass. & Rel'd Agencies Approp's Act 1974 (PL 93-240)..... For'n Ass. & Rel'd Agencies Approp's Act 1975 (PL 94-11).....	320,000 320,000 960,000
Public Law 93-373: Fourth Replenishment.....	1,500,000	For'n Ass. & Rel'd Agencies Approp's Act 1978 (PL 94-330)..... For'n Ass. & Rel'd Agencies Approp's Act 1977 (PL 94-441)..... Supplemental Appropriations Act, 1977, (PL 95-26)..... For'n Ass. & Rel'd Agencies Approp's Act 1979 (PL 95-481)..... 1980 Continuing Resolution (PL 96-123)..... 1981 Continuing Resolution (PL 96-536).....	320,000 375,000 85,000 458,000 272,000 20,000 1,500,000

INTERNATIONAL DEVELOPMENT ASSOCIATION

Authorization	Total Authorized U.S. Participation	Appropriations	Amount
<b>Public Law 95-118:</b>			
Fifth Replenishment.....	2,400,000	For'n Ass. & Rel'd Prog's Approp's Act 1978 (PL 95-148).....	800,000
	<u>2,400,000</u>	For'n Ass. & Rel'd Prog's Approp's Act 1979 (PL 95-481).....	800,000
		1980 Continuing Resolution (PL 96-123).....	<u>800,000</u>
			<u>2,400,000</u>
<b>Public Law 97-35:</b>			
Sixth Replenishment.....	3,240,000	1981 Supplemental (PL 97-12).....	500,000
		For'n Ass. & Rel'd Prog's Approp's Act 1982 (PL 97-121).....	700,000
		1983 Continuing Resolution (PL 97-276).....	700,000
		1983 Supplemental (PL 98-63).....	245,000
		1984 Continuing Resolution (PL 98-151).....	845,000
	<u>3,240,000</u>	For'n Ass. & Rel'd Prog's Approp's Act 1985 (PL 98-473).....	150,000
			<u>3,240,000</u>
<b>Public Law 98-473:</b>			
Seventh Replenishment.....	2,250,000	For'n Ass. & Rel'd Prog's Approp's Act 1985 (PL 98-473).....	750,000
		For'n Ass. & Rel'd Prog's Approp's Act 1986 (PL 99-190).....	700,000
		1986 Sequestration (PL 99-177).....	(30,100)
		1987 Continuing Resolution (PL 99-591).....	622,623
	<u>2,250,000</u>	Supplemental Appropriations Act, 1987 (PL 100-71).....	207,477
			<u>2,250,000</u>
<b>Public Law 100-202:</b>			
Eighth Replenishment.....	2,875,000	1988 Continuing Resolution (PL 100-202).....	815,000
		For'n Ass. & Rel'd Prog's Approp's Act 1989 (PL 100-461).....	995,000
		For'n Ass. & Rel'd Prog's Approp's Act 1990 (PL 101-167).....	880,851
	<u>2,875,000</u>	For'n Ass. & Rel'd Prog's Approp's Act 1991 (PL 101-513).....	4,150
			<u>2,875,000</u>

INTERNATIONAL DEVELOPMENT ASSOCIATION

(Dollars in Thousands)

Authorization	Total Authorized U.S. Participation	Appropriations	Amount
Public Law 101-513		For'n Ass. & Rel'd Prog's Approp's Act 1991 (PL 101-513) .....	1,064,150
Ninth Replenishment.....	3,180,000	1991 Sequestration (PLs 99-177, 100-119, 101-509).....	(20,219)
		1991 Sequestration Restoration (PL 102-27).....	20,219
		1992 Continuing Resolutions (PLs 102-145, 102-266).....	1,044,332
		1992 Rescission (PL 102-298).....	(32,500)
		For'n Ass. & Rel'd Prog's Approp's Act 1993 (PL 102-391) .....	1,024,332
Public Law 103-87 _1/ Tenth Replenishment.....	2,500,000	For'n Ops. & Rel'd Prog's Approp's Act 1994 (PL 103-87) .....	1,024,332
		For'n Ops. & Rel'd Prog's Approp's Act 1995 (PL 103-306) .....	1,236,000
		1996 REQUEST.....	1,368,168

\_1/ P.L. 103-87 authorized the equivalent of only two-thirds of a three year U.S. contribution to the tenth replenishment.

**INTERNATIONAL FINANCE CORPORATION****JUSTIFICATION FOR  
FY 1996 APPROPRIATIONS**

**Budget Authority Request:** \$ 67,556,000 contribution

In FY96, the Administration requests \$67.5 million paid-in capital for the IFC. Of this amount, \$47.5 million is for the final installment of the U.S. share of the 1991 general capital increase and \$20 million is to clear arrears.

**I. Institutional Structure and Mandate**

The International Finance Corporation (IFC) was established in 1956 in the World Bank Group to encourage economic growth in developing member countries by promoting private local and foreign investment.

The IFC's main role is making **medium and long-term loans and equity investments** at market-determined rates without government guarantees to support private sector projects. The IFC therefore fully shares project risks with its local and foreign investment partners.

Most of the Funds lent by the IFC are raised by borrowing on the international capital markets, while its equity investments are financed primarily by share capital. The Corporation is in excellent financial shape, and enjoys the highest possible credit rating on international capital markets.

The Corporation is playing an important role in the former communist nations, bringing expertise in the key areas of foreign investment, capital markets development, and privatization. Additionally, IFC is placing high priority on the private sector provision of basic infrastructure - especially electric power and telecommunications - in the developing nations, especially Latin America and Asia.

The IFC is making special efforts to increase its activities in Central Europe, the former Soviet Union, and Sub-Saharan Africa. The Corporation's activities in Africa include the Africa Enterprise Fund, the Africa Project Development Facility, and the African Management Services Company. Additionally, IFC has begun to develop two new initiatives for small and medium sized businesses, an Enterprise Support Service for Africa and a lending program for micro-enterprises.

The IFC cooperates closely with the rest of the World Bank Group, but is legally and financially independent. The U.S. is the largest shareholder, with relative voting strength of 22.67 percent as of June 30, 1994.

## II. IFC Operations in WBFY 1994

During WBFY 1994, the IFC extended financing for its own account of \$2,463 million to assist 231 projects having a total cost of \$15,839 million. This means that for every dollar provided by the IFC for its own account, other lenders and investors will provide around 5.43 dollars. All IFC projects must meet the same environmental standards as IBRD projects.

IFC's equity or quasi-equity investments in 1994 reached a record level of \$719 million, or about 29 percent of total IFC investments for its own account. The IFC thereby helped companies in developing countries achieve a proper balance between debt and equity financing.

## III. U.S. Interests and Policy Objectives

A \$1.0 billion general capital increase was approved by the Board of Governors in May, 1992, with U.S. support. The Corporation's authorized capital of \$2.45 billion is expected to enable new investment approvals in all regions to grow by 10-15 percent per year (in nominal terms) through the late 1990s.

The U.S. pressed the IFC and the World Bank successfully for specific commitments to strengthen key IFC policies, and to intensify the World Bank Group's private sector development initiative, and to strengthen Bank-IFC collaboration in projects, policies, sector work, and country strategies.

The IFC's Articles of Agreement were also subsequently amended to increase by five percent each the voting majorities required to approve further capital increases and charter amendments. This action, which the U.S. strongly supported, will help ensure that IFC's fundamental purposes and structure of governance will remain unchanged.

## IV. U.S. Financial Commitments

United States membership in the IFC was authorized in August 1955 (P.L. 84-350) with a U.S. capital subscription of \$35 million, out of the total original capital of \$100 million.

The U.S. participated in the IFC's first general capital increase (GCI) in 1977 and paid in \$175 million out of the total \$650 million increase in capital stock, a 27 percent U.S. share. The U.S. contributed \$175 million to the IFC's second general capital increase which was approved in 1985. We have fully completed our payments to the 1985 GCI, and to all previous capital subscriptions.

The U.S. subscription of 250,000 shares in the IFC's 1991 general capital increase (third) was authorized in the 1992 Continuing Resolution (P.L. 102-266). In FY92 and FY93, the Administration requested an appropriation of \$50 million (the first and second of five installments to the GCI). In FY92 Congress appropriated \$39.7 million (P.L. 102-145 and P.L. 102-266) and in FY93 \$35.7 million (P.L. 102-391). In FY94 Congress appropriated \$35.7 million (P.L. 103-87) and in FY95 \$68.7 million (P.L. 103-06).

In fiscal year 1996, the Administration is requesting \$67.5 million for the IFC. Of this amount, \$20 million is to clear arrears and \$47.5 million is for the final installment of the U.S. subscription to the 1991 general capital increase.

U.S. TREASURY DEPARTMENT  
INTERNATIONAL FINANCE CORPORATION

(Dollars in Thousands)

Authorization	Total Authorized U.S. Participation	Appropriations	Amount
Public Law 84-350 - 1/:			
Paid-in Capital.....	<u>35,188</u>		
Public Law 85-118:			
Paid-in Capital.....	111,493	For'n Ass. & Ref'd Prog's Approp's Act 1978 (PL 95-148).....	38,000
		For'n Ass. & Ref'd Prog's Approp's Act 1979 (PL 95-461).....	40,045
		1980 Continuing Resolution (PL 96-123).....	18,000
	<u>111,493</u>	For'n Ass. & Ref'd Prog's Approp's Act 1982 (PL 97-121).....	14,448
			<u>111,493</u>
Public Law 99-190:			
Paid-in Capital.....	175,162	For'n Ass. & Ref'd Prog's Approp's Act 1986 (PL 99-190).....	29,077
		1986 Sequestration (PL 99-177).....	-1,250
		Supplemental Appropriations Act, 1987 (PL 100-71).....	7,208
		1988 Continuing Resolution (PL 100-202).....	20,300
		For'n Ass. & Ref'd Prog's Approp's Act 1989 (PL 100-461).....	4,892
		For'n Ass. & Ref'd Prog's Approp's Act 1990 (PL 101-167).....	74,678
		1990 Sequestration (PL 99-177, 100-119, 101-239).....	-71
		For'n Ass. & Ref'd Prog's Approp's Act 1991 (PL 101-513).....	40,331
		1991 Sequestration (PLs 99-177, 100-119, 101-508).....	-768
		1991 Sequestration Restoration (PL 102-27).....	768
	<u>175,162</u>		<u>175,162</u>
Public Law 102-266			
Paid-in capital	250,000	1992 Continuing Resolutions (PLs 102-145, 102-266).....	39,794
		For'n Ass. & Ref'd Prog's Approp's Act 1993 (PL 102-391).....	35,762
		For'n Ops. & Ref'd Prog's Approp's Act 1994 (PL 103-87).....	35,761
		For'n Ops. & Ref'd Prog's Approp's Act 1995 (PL 103-306).....	68,743

1/ Public Debt Authorization

-2-

(Dollars in Thousands)

U.S. TREASURY DEPARTMENT  
INTERNATIONAL FINANCE CORPORATION (CONT'D)

Authorization	Total Authorized U.S. Participation	Appropriations	Amount
		1988 REQUEST.....	67,556

**MULTILATERAL INVESTMENT GUARANTEE AGENCY (MIGA)****JUSTIFICATION FOR  
FY 1996 APPROPRIATIONS****Budget Authority Request:**

None

No funds for the MIGA are being sought in 1996.

**I. Institutional Structure and Mandate**

The Multilateral Investment Guarantee Agency (MIGA) began operations in 1988 as a component of the World Bank Group. MIGA's guarantee program protects eligible foreign investors against losses from currency transfer, expropriation, war and civil disturbance, and investment-related breach of contract by host governments.

MIGA also works closely with the IFC, Foreign Investment Advisory Service, other elements of the World Bank, and with borrowing country governments to promote foreign direct investment in developing countries, and to encourage developing countries to adopt sound policies regarding foreign investment. MIGA applies either the host country's environmental unit, with which MIGA has a long-term contractual relationship. Acting as MIGA's environmental advisor, the unit applies the same standards to MIGA projects as it does to IFC projects.

**II. MIGA Operations**

During FY 1994, total MIGA membership rose to 121 countries. MIGA assisted its first projects in Brazil, Bulgaria, Peru, Uzbekistan, and Trinidad and Tobago. As of December 31, 1994, membership has further increased to 128 nations, and MIGA assisted its first projects in Costa Rica, Honduras, the Philippines, and Morocco. During FY 1994, MIGA was admitted as the first multinational member of the International Union of Credit and Investment Insurers (the Berne Union).

MIGA issued a record 38 guarantee contracts in FY 1994. These contracts involved new contingent liabilities of \$372.6 million and facilitated \$1.3 billion of new direct investment in the host developing countries. This investment, in turn, is expected to generate an additional 7,800 host country jobs. During the first half of FY 1995, MIGA has issued 28 additional contracts totalling \$312.1 million of coverages.

MIGA has neither received nor paid any claims. There are no claims pending as of mid-January, 1995.

### III. U.S. Interests

MIGA was explicitly created to complement, and not to compete with, existing public and private investment insurers. MIGA has therefore worked closely with the U.S. Overseas Private Investment Corporation (OPIC) on a considerable number of projects in both coinsurance and reinsurance capacities.

American investors, who are the largest users of MIGA services, often turn to MIGA when adequate OPIC coverage is not available. This is often the case because of OPIC's country and project limits. As of December 31, 1994, 50 percent of MIGA's outstanding investment insurance coverage was with U.S. investors, whereas the relative size of U.S. capital contributions to MIGA is only 22 percent. Thus, it is clear that the United States has clearly benefitted from MIGA's guarantee program.

MIGA also has a modest program that assists developing countries to more effectively promote their own private investment opportunities. Prospective American investors have benefitted from these MIGA-sponsored investor conferences. A June, 1994, African Mining Conference in Denver, Colorado, brought more than 300 prospective investors together with mining officials from 18 African countries.

### IV. U.S. Financial Commitments

The FY 1988 Continuing Resolution (P.L. 100-202) authorized U.S. participation in MIGA and appropriated sufficient funds for purchase of the U.S. share of MIGA's capital. The U.S. share is \$222 million, which - as of June 30, 1994 - gave the U.S. relative voting power of 17.79 percent. It should be noted, however, that only ten percent of the total U.S. subscription was paid-in capital.

No additional requests for this agency are anticipated, at least for the next few years. The 1988 appropriation provided for the full U.S. subscription, which was required to meet the minimum level of capitalization needed for MIGA.

U.S. TREASURY DEPARTMENT  
 MULTILATERAL INVESTMENT GUARANTEE AGENCY

(Dollars in Thousands)

Authorization	Total Authorized U.S. Participation	Appropriations	Amount
Public Law 100-202:		1986 Continuing Resolution (PL 100-202):	
Paid-in Capital.....	44,403	Paid-in Capital.....	44,403
Callable Capital.....	177,612	Callable Capital.....	177,612 >
	<u>222,015</u>		<u>222,015</u>
		1996 REQUEST.....	0

**GLOBAL ENVIRONMENT FACILITY****JUSTIFICATION FOR  
FY 1996 APPROPRIATIONS**

**Budget Authority Request:** \$110 million contribution

In FY 96, the Administration is requesting \$110 million for the second installment of the U.S. contribution to the restructured Global Environment Facility (GEF).

**I. Institutional Structure and Mandate**

The Global Environment Facility was created to finance developing and transition countries' efforts to reduce the threat of climate change, reverse the depletion of the ozone layer, arrest the loss of biodiversity, and decrease the pollution of international waters. The GEF relies on the capacities of the World Bank, the United Nations Development Program, and the United Nations Environment Programme to implement projects. The GEF went through a trial phase from 1991 to 1993, and began full-scale permanent operations in March, 1994.

Global environmental problems are characterized by the fact that damage caused by one nation is spread over the globe. These environmental problems are also characterized by the fact that the cost of adapting to their impacts, i.e. sea level rise, increased solar radiation, and the collapse of fisheries, is much more expensive than taking preventative measures. It is also far less expensive to address global effects of environmental problems at their source in less developed countries than to attempt to counter the effects by enacting even stricter regulations in industrialized countries.

**II. Operations of the Global Environment Facility**

The Pilot Phase of the GEF committed \$713.35 million in projects. Funding allocations between regions break down as follows: Asia-34%, Latin American and the Caribbean-23%, Africa-18%, Economies in Transition-9%, Middle East-8%, and Global-8%. Funding allocations between focal areas went to: Biodiversity-43%, Global Warming-37%, International Waters-17%, and Ozone/Various-3%. It is expected that nearly 50% of the resources from the replenished GEF will be devoted to climate change, 30% to biodiversity, and 10% each to international waters and ozone depletion.

**III. U.S. Interests**

The GEF allows the U.S. to effectively address issues that impact directly on our environmental security, and indirectly on the ultimate financial burden of global environmental problems. The U.S. has confidence that the GEF can fulfill its mandate-- the GEF was restructured in early 1994 to gear up to full scale

operations. The U.S. achieved its objectives for this restructuring, including: strong U.S. influence through contribution-based voting; donor oversight of budget and policy; donor approval of projects; and good policies on transparency and consultation with project-affected groups.

The GEF provides important procurement opportunities for U.S. companies. U.S. firms dominate the market for substitutes for ozone depleting substitutes. U.S. firms are also strategically placed in the markets for efficient-energy technologies and renewable energy that will be relied upon to combat global warming. U.S. firms are also the major players in the biotechnology arena.

For U.S. firms in these fields, the GEF presents a three-fold opportunity. In addition to its own resources, the GEF is designed to leverage the much larger resources of the multilateral development banks. Finally, and most importantly, the GEF will catalyze recipient countries' efforts to combat global environmental problems, leading to dramatic increases in the markets which U.S. firms are well positioned to lead.

#### IV. U.S. Financial Commitments

USAID has programmed over \$150 million in "parallel financing" in collaboration with the GEF. Congress also appropriated \$30 million to the Pilot Phase in FY 1993. However, due to restrictions in the FY 1993 Appropriations Act, this payment was not made.

Following the successful restructuring of the GEF, donor governments agreed to a \$2,002 million replenishment, to be paid in over FY 1995-1998. The U.S. share is 21.26%, or \$430 million dollars. The U.S. share was derived from the formula used in the World Bank's International Development Association; it is substantially less than the U.S. United Nations share and other alternative formulas. Congress has granted the necessary authorization to contribute our full pledge, and the U.S. has already made the first installment on its pledge by contributing \$120 million through FY 95.

U.S. TREASURY DEPARTMENT  
GLOBAL ENVIRONMENT FACILITY  
(Dollars in Thousands)

Authorization	Total Authorized U.S. Participation	Appropriations	Amount
Public Law 102-391 Global Environment Facility	50,000	For'n Ass. & Repl'd Prog's Approp's Act 1993 (PL 102-391) .....	30,000 *
	<u>50,000</u>	For'n Ops. & Repl'd Prog's Approp's Act 1994 (PL 103-87) .....	30,000
Public Law 103-308 GEF Replenishment	400,000	For'n Ops. & Repl'd Prog's Approp's Act 1985 (PL 103-308) .....	80,000
		1996 REQUEST .....	110,000

\* Note: Because Treasury was not able to certify the conditions set forth in the appropriations legislation, these funds were transferred to USAID.

**INTER-AMERICAN DEVELOPMENT BANK:  
ORDINARY CAPITAL**

**JUSTIFICATION FOR  
FY 1996 APPROPRIATIONS**

<b>Budget Authority Request:</b>	\$ 25,952,110	paid-in capital
	\$1,523,767,142	callable capital

**I. Institutional Structure and Mandate**

In FY 1996, the Administration is requesting \$25.6 million for paid-in capital for the second installment of the eighth replenishment of the Inter-American Development Bank (IDB), and to clear arrears of \$0.3 million.

The IDB is a multinational organization, corporate in form, whose capital stock is owned by member governments. Established in 1959 to promote economic development in the developing countries of the Western Hemisphere, the IDB does this by extending loans for specific investment projects and policy reform programs, as well as providing a wide range of technical assistance.

The IDB makes loans on market terms from its capital resources which consist of (1) paid-in capital subscriptions of members, and (2) members' callable capital subscriptions which are used to support IDB borrowings in capital markets. The IDB has 28 Western Hemisphere member countries, including the United States and Canada but excluding Cuba. In addition, sixteen European countries, Japan and Israel are also members of the Bank.

**II. Bank Operations**

Cumulative ordinary capital (OC) loan commitments were \$49.6 billion as of December 31, 1993. During 1993, 69 loans were authorized from the IDB's hard loan window for a total of \$5.9 billion: thirty percent of lending was directed to projects in the social sectors (including the environment and public health); \$2.4 billion went towards financing physical infrastructure projects in energy, transportation and communications.

Negotiation of the Bank's Eighth Capital Replenishment (IDB-8) was concluded in 1994. The replenishment increases the IDB's Ordinary Capital by \$40 billion, making it the largest regional development bank with over \$100 billion in subscribed capital. (Contributions for the Fund for Special Operations, the soft loan window of the Bank, were also increased by \$1 billion; see separate tab.) With this agreement, there should be at least a 50% increase in the Bank's lending to improve opportunities for the poorest elements of society, while the Bank promotes income equality, good governance, and basic health and education.

The United States took the lead in negotiating the capital increase which will provide the Bank with the capital to sustain

- 2 -

lending at or above current levels for 8-10 years. The U.S. share of paid-in capital will decrease from a scheduled \$57.2 million in IDB-7 to \$25.6 million per year in IDB-8.

### III. U.S. Interests

In addition to substantially increasing the IDB's capital at half the scheduled annual cost of the previous replenishment, the U.S. also achieved considerable policy success in the replenishment:

- \$1 billion in new concessional resources for the poorest countries in the region was tied to changes in the ownership of the Bank. In return for almost \$700 million in new money - and agreement to the U.S. policy agenda - the United States agreed to reduce its share of the Bank (from 34.6% to 30%). Despite this reduction, the U.S. will retain most all current rights and privileges.
- Increased lending to support economic opportunity, social sector development, the environment and governance objectives in all borrowing countries. Fifty percent of loan operations (40% of lending volume) will go to support these objectives. The environmental policies of the Bank have also been significantly strengthened.
- Policy-based lending for both smaller countries in the early stages of macroeconomic adjustment as well as social sector-oriented reforms in all countries has been reduced to 15% of lending, a 40% decrease from previous levels.
- Traditional lending for infrastructure projects will continue, particularly in the poorer countries, but there was agreement to explore new cofinancing techniques and to employ up to 5% of annual lending to promote the financing of private infrastructure. A Private Sector Department has been created to implement this initiative.
- The agreement incorporates an information disclosure policy similar to that of the World Bank, as well as creation of an independent inspection function to increase transparency and accountability. The agreement also ensures that the Bank will continue "to maintain an effective and efficient internal audit function to ensure full accountability on administrative, financial and operational matters."

In addition to these results, the U.S. led efforts to reduce the administrative costs of the Bank. First-class air travel was eliminated for all employees and Directors as part of the effort to hold the administrative budget to zero real growth in 1994. For 1995, the U.S. held the line for zero nominal growth.

The United States also benefits in other, more tangible ways from IDB membership. For example, in 1993, disbursements resulting in the procurement of U.S. goods and services totalled \$936 million (28.3 percent). Cumulative procurement (1961-93) of U.S. goods and services has totalled \$7.24 billion (23.6 percent of total).

#### IV. U.S. Financial Commitments

The United States was a charter member of the Inter-American Development Bank with an original capital subscription of \$350 million. This consisted of \$200 million in callable capital and \$150 million in paid-in capital authorized in August 1959 (P.L. 86-147). The callable portion was appropriated in FY 1960; the paid-in portion was provided in three installments - \$30 million in FY 1960, and \$60 million each in FY 1962 and FY 1963.

Six increases in the authorized capital of the Bank were approved by the Bank's membership during the 1960s, 1970s and 1980s. The United States participated in all of these increases, subscribing to a total of \$11.2 billion in paid-in and callable capital.

The U.S. share of the Seventh Replenishment of IDB resources (1989) was 34.5 percent of a \$26.5 billion replenishment, or a \$9,169 million subscription to Ordinary Capital. The paid-in portion was 2.5 percent, bringing the total U.S. paid-in subscription for FY 1991-94 to \$229 million; the subscription to callable capital over the same time period was \$8,940 million.

In FY 1991, \$57.3 million was appropriated for the first tranche of the Seventh Replenishment (P.L. 101-513). In FY 1992, \$56,465,367 for paid-in capital for the second tranche of IDB-7 was appropriated under continuing resolution. In FY 1993, \$56,466,000 was appropriated (P.L. 102-391) for the U.S. paid-in capital subscription and a program limitation of \$2,202,040,000 was provided for the callable capital subscription for the third tranche of IDB-7. For FY 1994, paid-in capital of \$56,166,000 was appropriated (P.L. 103-87), along with a program limitation of \$2,190,283,457 for callable capital, for the fourth and final tranche of IDB-7.

In FY 1995, arrears of \$2,286,970 were cleared and U.S. participation in IDB-8 (with a program limitation of \$76,832,000 for paid-in shares and \$4,511,156,729 for callable shares) was authorized (P.L. 103-306). The U.S. recently sent notice to the Bank that legislative requirements have been met for U.S. participation in the Eighth Replenishment, along with \$25,260,827 for the first installment for paid-in Ordinary Capital.

For FY 1996, the Administration is requesting \$25,952,110 for paid-in capital and a program limitation of \$1,523,767,142 for callable capital subscription for the second tranche of IDB-8 (and to clear arrears of \$341,443 and \$20,047,681, respectively).

(Dollars in Thousands)

U.S. TREASURY DEPARTMENT  
 INTER - AMERICAN DEVELOPMENT BANK

Authorization	Total Authorized U.S. Participation	Appropriations	Amount
Public Law 86 - 147:		First Supplemental Appropriation Act 1960 (PL 86 - 213):	
Initial Subscription		Paid - In Capital.....	30,000
Paid - In Capital	150,000	Callable Capital.....	200,000
Callable Capital	200,000	For'n Ass. & Re'd Agencies Approp's Act 1962 (PL 87 - 329):	
		Paid - In Capital.....	60,000
		For'n Ass. & Re'd Agencies Approp's Act 1963 (PL 87 - 872):	
		Paid - In Capital.....	60,000
	<u>350,000</u>		<u>350,000</u>
Public Law 88 - 259:		For'n Ass. & Re'd Prog's Approp's Act 1965 (PL 88 - 634):	
Callable Capital	411,760	Callable Capital.....	205,880
		For'n Ass. & Re'd Prog's Approp's Act 1966 (PL 89 - 273):	
		Callable Capital.....	205,880
	<u>411,760</u>		<u>411,760</u>
Public Law 90 - 325:		For'n Ass. & Re'd Agen. Approp's Act 1969 (PL 90 - 581):	
Callable Capital Stock.....	411,760	Callable Capital.....	205,880
		For'n Ass. & Re'd Agen. Approp's Act 1970 (PL 91 - 194):	
		Callable Capital.....	205,880
	<u>411,760</u>		<u>411,760</u>
Public Law 91 - 599:		Second Supplemental Approp. Act, 1971 (PL 92 - 18):	
Paid - In Capital	150,000	Paid - In Capital.....	25,000
Callable Capital	673,520	Callable Capital.....	200,000
		For'n Ass. & Re'd Agen. Approp's Act 1972 (PL 92 - 242):	
		Paid - In Capital.....	75,000
		Callable Capital.....	136,760
		Joint Resolution Making Continuing Approp., 1973 (PL 93 - 9):	
		Paid - In Capital.....	25,000
		Callable Capital.....	168,380
		For'n Ass. & Re'd Agen. Approp's Act 1974 (PL 93 - 240):	
		Paid - In Capital.....	25,000
		Callable Capital.....	168,380
	<u>823,520</u>		<u>823,520</u>

INTER-AMERICAN DEVELOPMENT BANK

Authorization	Total Authorized Participation	Appropriations	Amount
Public Law 94-302		For'n Assist. & Rel'd Prog's Approp's Act 1977 (PL 94-441):	
Paid-In Capital .....	120,007	Paid-In Capital .....	20,000
Callable Capital .....	1,529,993	Callable Capital .....	200,000
		Supplemental Appropriations Act, 1977, (PL 95-26):	
		Paid-In Capital .....	36,000
		Callable Capital .....	120,000
		Non-appropriated Callable Capital, 1977 .....	(319,995)
		For'n Assist. & Rel'd Prog's Approp's Act 1978, (PL 95-148):	
		Paid-In Capital .....	36,711
		Callable Capital .....	328,566
		For'n Assist. & Rel'd Prog's Approp's Act 1979, (PL 95-481):	
		Paid-In Capital .....	27,296
		Callable Capital .....	561,432
	<u>1,650,000</u>		<u>1,650,000</u>
Public Law 96-259 & 97-35:		1980 Continuing Resolution (PL 96-123):	
Paid-In Capital .....	206,169	Paid-In Capital .....	44,164
Callable Capital .....	2,543,020	Callable Capital .....	544,555
		1981 Continuing Resolution (PL 96-536):	
		Paid-In Capital .....	51,547
		Callable Capital .....	560,745 >
		For'n Assist. & Rel'd Prog's Approp's Act 1982, (PL 97-121):	
		Paid-In Capital .....	48,053
		Callable Capital .....	609,582 >
		1983 Continuing Resolution (PL 97-276/97-377):	
		Paid-In Capital .....	62,423
		Callable Capital .....	826,136 >
	<u>2,749,209</u>		<u>2,749,209</u>

(Dollars in Thousands)

INTER-AMERICAN DEVELOPMENT BANK

-3-

Authorization	Total Authorized Participation	Appropriations	Amount
Public Law 98-181:			
Paid-In Capital .....	232,004	1984 Continuing Resolution (PL 98-151):	38,001
Callable Capital .....	4,923,859	Paid-In Capital .....	806,465 >
		Callable Capital .....	<
		For'n Assist. & Hel'd Prog's Approp's Act 1985, (PL 98-473):	
		Paid-In Capital .....	38,001
		Callable Capital .....	806,465 >
		Supplemental Appropriations Act, 1985 (PL 99-88):	
		Paid-In Capital .....	40,001
		Callable Capital .....	849,000 >
		For'n Assist. & Hel'd Prog's Approp's Act 1986, (PL 99-190):	
		Paid-In Capital .....	38,001
		Callable Capital .....	1,230,965 >
		1986 Sequestration (PL 99-177):	
		Paid-In Capital .....	(1,634)
		1987 Continuing Resolution (PL 99-591):	
		Paid-In Capital .....	16,417
		Callable Capital .....	1,111,561 >
		1988 Continuing Resolution (PL 100-202):	
		Paid-In Capital .....	31,600
		Callable Capital .....	119,404 >
		For'n Assist. & Hel'd Prog's Approp's Act 1990, (PL 101-167):	
		Paid-In Capital .....	31,482
		Callable Capital .....	0 >
		For'n Assist. & Hel'd Approp's Act 1991, (PL 101-513):	135
			<u>5,155,863</u>
			<u>5,155,864</u>

INTER-AMERICAN DEVELOPMENT BANK

Authorization	Total Authorized Participation	Appropriations	Amount
<b>Public Law 101-240:</b>			
Paid-In Capital .....	229,253	For'n Assist. & Rel'd Prog's Approp's Act 1991, (PL 101-513):	57,314
Callable Capital .....	8,940,306	Paid-In Capital .....	2,235,077 >
		Callable Capital .....	(1,092)
		1991 Sequestration (PLs 99-177, 100-119, 101-508) ..	1,092
		1991 Sequestration Restoration (PL 102-27) .....	
		1992 Continuing Resolutions (PLs 102-145, 102-266):	
		Paid-In Capital .....	56,465
		Callable Capital .....	2,202,040 >
		For'n Assist. & Rel'd Prog's Approp's Act 1993, (PL 102-391):	
		Paid-In Capital .....	56,466
		Callable Capital .....	2,202,040 >
		For'n Ops. & Rel'd Prog's Approp's Act 1994, (PL 103-87):	
		Paid-In Capital .....	56,166
		Callable Capital .....	2,190,283 >
		For'n Ops. & Rel'd Prog's Approp's Act 1995, (PL 103-306):	
		Arrears	2,843
		Paid-In Capital .....	110,866 >
		Callable Capital .....	<u>9,169,559</u>
	<u>9,169,559</u>		
<b>Public Law 103-306:</b>			
Paid-In Capital .....	76,832	Subscribed share	28,112
Callable Capital .....	4,511,156	Paid-In Capital .....	1,594,568 >
		Callable Capital .....	
		1996 REQUEST:	
		Paid-In Capital .....	25,952
		Callable Capital .....	<u>1,523,767 &gt;</u>

**INTER-AMERICAN DEVELOPMENT BANK:  
FUND FOR SPECIAL OPERATIONS**

**JUSTIFICATION FOR  
FY 1996 APPROPRIATIONS**

**Budget Authority Request:** \$ 20,835,000 contribution

The FY 1996 request for the Fund for Special Operations (FSO) is for \$20,835,000: \$20,576,000 for the second installment of the Eighth Replenishment of the FSO and \$259,000 to eliminate current U.S. arrears.

**I. Institutional Structure and Mandate**

In addition to its Ordinary Capital lending operations, the Inter-American Development Bank extends loans from the Fund for Special Operations to the poorest countries of Latin America and the Caribbean. FSO loans are made on concessional terms and are extended from contributions provided by members of the Bank.

During 1993, the FSO extended 23 loans, for a total of \$423 million. Sectors receiving substantial amounts of FSO resources included health and education, and physical infrastructure, including water supply/sewerage. As of year-end 1993, cumulative FSO loan commitments totalled \$11.8 billion.

IDB Governors completed negotiations for the Eighth Replenishment of the Bank's Ordinary Capital and concessional FSO resources in April 1994. The replenishment agreement will result in \$1 billion in new concessional resources. The FSO-8 replenishment will permit \$500 million in annual lending to the poorest countries of the region, while keeping the scheduled U.S. payment at the previous replenishment level (\$20.6 million per year).

**II. U.S. Interests**

In the replenishment negotiations, the U.S. placed high priority on augmenting the Bank's concessional resources and worked diligently towards that end. Given scarce resources for concessional lending, new approaches to allocating concessional resources were necessary. Previously, some countries with high per capita incomes had access to funds to subsidize borrowing costs. There was need to better target concessional resources - and to deliver these resources on a more cost-effective basis.

The U.S. insisted that concessional lending be allocated to only the neediest countries, though other countries with demonstrated exceptional needs could be included on a case-by-case basis. Measures of need include per capita income, ability to service debt from export earnings, and indices of human development.

The size of the FSO replenishment was ultimately tied to changes in the ownership of the Bank. In return for almost \$700 million in new contributions - and agreement to the U.S. policy agenda -

the United States agreed to reduce its share of the IDB (from 34.6% to 30%). Despite the reduction in ownership percentage, the U.S. retains most all existing rights and privileges, including the ability to veto FSO loans.

### III. U.S. Financial Commitments

United States membership in the IDB, authorized in August, 1959 (P.L. 86-147), provided for an initial \$100 million U.S. contribution to the FSO. This original contribution was appropriated in two installments, in FY 1960 and FY 1962.

Agreements were reached among the IDB member governments to increase the resources of the FSO on five occasions during the 1960s and 1970s. The U.S. participated in all of these replenishments and a total of \$3.3 billion was appropriated for the U.S. contribution to these increases. In FY 1980, the U.S. was authorized to participate in a replenishment totalling \$700 million over four years. The U.S. contributed \$290 million for a replenishment authorized in FY 1985.

Authorizing legislation for the Seventh Replenishment of FSO resources was contained in the International Development and Finance Act of 1989 (P.L. 101-240). The United States' share of FSO-7 was \$82.3 million. The Foreign Operations Appropriations Act of FY 1991 (P.L. 101-513) appropriated \$20.58 million for the first installment of the U.S. contribution.

In FY 1992 and FY 1993, the Administration requested \$20.58 million for the second and third installments of the United States' contribution toward the FSO replenishment, for which \$20.27 million was appropriated in each year. In FY 1994, \$20,164,000 was appropriated (P.L. 103-87) for the fourth and final installment of its contribution to the FSO replenishment pursuant to the Seventh Replenishment.

Arrears to the FSO of \$1,021,000 were cleared and U.S. participation in Eighth Replenishment (with a program limitation of \$82,304,000) was authorized in the FY 1995 Foreign Operations, Export Financing, and Related Programs Appropriation Act (P.L. 103-306). The U.S. recently sent notice to the Bank that legislative requirements have been met for U.S. participation in FSO-8, along with \$20,317,000 representing the first of four scheduled payments.

This fiscal year, the Administration is requesting a \$20,835,000 contribution to the FSO: \$20,576,000 for the second installment of the eighth replenishment, and \$259,000 to eliminate current arrears.

INTER-AMERICAN DEVELOPMENT BANK  
FUND FOR SPECIAL OPERATIONS

(Dollars in Thousands)

Authorization	Total Authorized U.S. Participation	Appropriations	Amount
Public Law 86-147: Initial U.S. Subscription.....	100,000 <u>100,000</u>	First Supplemental Appropriation Act 1960 (PL 86-213)..... For'n Ass. & Re'l'd Agencies Approp's Act 1962 (PL 87-323)....	50,000 50,000 <u>100,000</u>
Public Law 88-258: FSO Replenishment .....	50,000 <u>50,000</u>	For'n Ass. & Re'l'd Prog's Approp's Act 1964 (PL 88-258).....	50,000 <u>50,000</u>
Public Law 89-8: FSO Replenishment .....	750,000 <u>750,000</u>	Second Supplemental Appropriation Act 1965 (PL 89-16)..... For'n Ass. & Re'l'd Prog's Approp's Act 1966 (PL 89-273)..... For'n Ass. & Re'l'd Prog's Approp's Act 1967 (PL 89-691).....	250,000 250,000 250,000 <u>750,000</u>
Public Law 90-88: FSO Replenishment .....	900,000 <u>900,000</u>	For'n Ass. & Re'l'd Agen. Approp's Act 1968 (PL 90-249)..... For'n Ass. & Re'l'd Agen. Approp's Act 1969 (PL 90-581)..... For'n Ass. & Re'l'd Agen. Approp's Act 1970 (PL 91-194).....	300,000 300,000 300,000 <u>900,000</u>
Public Law 91-599: FSO Replenishment .....	100,000 <u>100,000</u>	Second Supplemental Approp. Act, 1971 (PL 92-18)..... Joint Resolution Making Continuing Approp., 1973 (PL 93-9)...	50,000 50,000 <u>100,000</u>
Public Law 92-246: FSO Replenishment .....	900,000 <u>900,000</u>	Joint Resolution Making Continuing Approp., 1973 (PL 93-9).. For'n Ass. & Re'l'd Agen. Approp's Act 1974 (PL 93-246)..... For'n Ass. & Re'l'd Agen. Approp's Act 1975 (PL 94-11)..... For'n Ass. & Re'l'd Agen. Approp's Act 1976 (PL 94-330)..... For'n Ass. & Re'l'd Agen. Approp's Act 1977 (PL 94-441).....	175,000 225,000 225,000 225,000 50,000 <u>900,000</u>

INTER-AMERICAN DEVELOPMENT BANK  
FUND FOR SPECIAL OPERATIONS

(Dollars in Thousands)

Authorization	Total Authorized U.S. Participation	Appropriations	Amount
Public Law 94-302	600,000	Supplemental Appropriations Act, 1977 (PL 95-26).....	160,000
FSO Replenishment .....		For'n Ass. & Rei'd Prog's Approp's Act 1978, (PL 95-148).....	114,723
		For'n Ass. & Rei'd Prog's Approp's Act 1979, (PL 95-481).....	175,000
		1981 Continuing Resolution (PL 96-536).....	25,000
		1983 Continuing Resolution (PL 97-276/97-377).....	46,677
		1984 Continuing Resolution (PL 98-151).....	78,600
	<u>600,000</u>		<u>600,000</u>
Public Law 96-259 & 97-35:	700,000	1980 Continuing Resolution (PL 96-123).....	175,000
FSO Replenishment .....		1981 Continuing Resolution (PL 96-536).....	175,000
		For'n Ass. & Rei'd Prog's Approp's Act 1982, (PL 97-121).....	173,177
		1983 Continuing Resolution (PL 97-276/97-377).....	175,000
		1984 Continuing Resolution (PL 98-151).....	1,823
	<u>700,000</u>		<u>700,000</u>
Public Law 98-181:	350,000	For'n Ass. & Rei'd Prog's Approp's Act 1985, (PL 98-473).....	72,500
FSO Replenishment .....	290,000	Supplemental Appropriations Act, 1985 (PL 99-88).....	72,500
U.S. Negotiated Share .....		For'n Ass. & Rei'd Prog's Approp's Act 1986, (PL 99-190).....	40,000
		1986 Sequestration (PL 99-177).....	-1720
		1987 Continuing Resolution (PL 99-591).....	17,263
		1988 Continuing Resolution (PL 100-202).....	25,732
		For'n Ass. & Rei'd Prog's Approp's Act 1990, (PL 101-167).....	63,450
		For'n Ass. & Rei'd Prog's Approp's Act 1991, (PL 101-513).....	275
		1991 Sequestration (PLs 99-177, 100-119, 101-508).....	(396)
		1991 Sequestration Restoration (PL 102-27).....	396
	<u>290,000</u>		
Public Law 101-240:	82,304	For'n Ass. & Rei'd Prog's Approp's Act 1991, (PL 101-513).....	20,575
FSO Replenishment (IDB-7).....		1992 Continuing Resolutions (PLs 102-145, 102-266).....	20,271
		For'n Ass. & Rei'd Prog's Approp's Act 1993, (PL 102-391).....	20,272
		For'n Ops. & Rei'd Prog's Approp's Act 1994, (PL 103-87).....	20,164
	<u>82,304</u>		<u>81,282</u>

(Dollars in Thousands)

INTER-AMERICAN DEVELOPMENT BANK  
FUND FOR SPECIAL OPERATIONS

Authorization	Total Authorized U.S. Participation	Appropriations	Amount
Public Law 103-306: FSO Replenishment (IDB-8).....	82,300	For'n Ops. & Rel'd Prog's Approp's Act 1995, (PL 103-306).....	21,338
		1996 REQUEST .....	20,835

## INTER-AMERICAN INVESTMENT CORPORATION

JUSTIFICATION FOR  
FY 1996 APPROPRIATIONS

Budget Authority Request: None

No funds for the Inter-American Investment Corporation are being sought in FY 1996.

**I. Institutional Structure and Mandate**

In 1986, the U.S. and other member countries of the Inter-American Development Bank (IDB) formally established the Inter-American Investment Corporation (IIC), a multilateral corporation that supports private sector activities in Latin America and the Caribbean. The IIC began operations in 1990, pursuing its mandate to promote small and medium-scale enterprises. It accomplished this primarily by making direct loans and equity investments. As of mid-1994, net loan and equity commitments totaled \$330.8 million, of which twelve percent represented equity investments.

The IIC quickly invested its usable capital and some member countries have sought a capital increase coincident with the Inter-American Development Bank's Eighth Capital Replenishment. However, private capital flows to the region - to private as well as public sector entities - were increasing at levels substantially above those which government institutions could possibly provide at this same time.

Fully cognizant of the critical importance of the private sector as the engine for economic growth, the United States has nevertheless resisted calls for an IIC capital increase. Consequently, the Corporation will reduce its direct investment operations. Instead, the IIC will increasingly leverage its resources through private intermediaries and generate fee income by providing financial advice and technical assistance.

**II. U.S. Interests**

During the IDB's recently completed capital replenishment negotiations (IDB-8), the U.S. proposed that the Inter-American Investment Corporation, the Multilateral Investment Fund (MIF) and the private sector operations of the Bank be more closely coordinated. The goal has been to improve efficiency while helping to ensure that IDB clients, from small and micro-entrepreneurs up through privatizing state-owned enterprises, have access to a comprehensive mix of expertise and funds.

At present, various options for reorganizing the Corporation continue to be explored. A group of consultants retained by the Corporation recently recommended operating the IIC on a reduced scale, shifting some staff into the Bank to assist in

implementing the Bank's new private infrastructure initiative, prepare projects for the MIF and manage global credit programs.

Assuming that changes in strategy are agreed upon, several changes in the IIC Charter will probably be necessary. IIC Governors will meet again early in 1995. For the present, the IIC is downsizing staff and operations in order to preserve its existing capital resources while maximizing development impact.

### III. U.S. Financial Commitments

Legislation authorizing U.S. participation in the IIC and a subscription of \$51 million was enacted in 1984 (P.L. 98-473). The FY 1985 Continuing Resolution (P.L. 98-473) provided funding of \$10.0 million, and a 1985 supplemental appropriation (P.L. 99-88) of \$3.0 million completed the first installment of the U.S. share of IIC capital.

Included in the FY 1986 Continuing Resolution (P.L. 99-190) was \$11.7 million toward the second installment; in FY 1988, \$1.3 million was appropriated in the Continuing Resolution to complete the second installment. The Administration did not make a request for the IIC in FY 1989 due to the bipartisan budget agreement to reduce the Federal deficit. In FY 1990, Congress did not appropriate the \$25.5 million requested by the Administration to purchase the last two installments of the United States' initial subscription to IIC capital.

In FY 1991, \$13.0 million was appropriated under the Foreign Operations Act (P.L. 101-508) for the third installment of the U.S. share of IIC capital. In FY 1992, \$12,315,000 was appropriated under continuing resolutions P.L. 102-145 and 102-266, of which \$5,000 was lost due to a rescission of June 4, 1992. No appropriation was requested in FY 1993 or FY 1994.

With the appropriation of \$190,000 in FY 1995 (P.L. 103-306), the United States' subscription to the IIC's initial capitalization was complete. No additional funds for the IIC are being sought in FY 1996.

U.S. TREASURY DEPARTMENT  
 INTER-AMERICAN DEVELOPMENT BANK  
 INTER-AMERICAN INVESTMENT CORPORATION

(Dollars in Thousands)

Authorization	Total Authorized U.S. Participation	Appropriations	Amount
Public Law 96-473: Inter-American Investment Corp.	51,000	For'n Assist. & Rel'd Prog's Approp's Act 1985, (PL 96-473): Inter-American Investment Corporation..... Supplemental Appropriations Act, 1985 (PL 96-88): Inter-American Investment Corporation..... For'n Assist. & Rel'd Prog's Approp's Act 1986, (PL 96-190): Inter-American Investment Corporation..... 1986 Sequestration (PL 96-177): Inter-American Investment Corporation..... 1988 Continuing Resolution (PL 100-202): Inter-American Investment Corporation..... For'n Assist. & Rel'd Prog's Approp's Act 1991, (PL 101-513). 1991 Sequestration (PLs 99-177, 100-119, 101-508)..... 1991 Sequestration Restoration (PL 102-27).....	10,000 3,000 11,700 (503) 1,303 13,000 (247) 247
		1992 Continuing Resolutions (PLs 102-145, 102-266): Inter-American Investment Corporation..... 1992 Rescission (PL 102-298) Inter-American Investment Corporation..... effective rescission /1 .....	12,315 (4,000) (5)
	<u>51,000</u>	For'n Ass. & Rel'd Prog's Approp's Act 1985, (PL 103-306).....	190
		1986 REQUEST.....	0
			<u>51,000</u>

/1 Only \$5,000 in undisclosed funds was available to comply with the rescission.

## MULTILATERAL INVESTMENT FUND

JUSTIFICATION FOR  
FY 1996 APPROPRIATIONS

**Budget Authority Request:** \$ 100,000,000 contribution

In FY 1996, the Administration is requesting \$100 million for the fourth of five scheduled U.S. payments to the Multilateral Investment Fund (MIF).

**I. Institutional Structure and Mandate**

The MIF was designed to assist Latin American and Caribbean countries in making the investment reforms necessary to stimulate both domestic investment and greater foreign private capital flows. It consists of a one-time capitalization by donors over a five year period.

The MIF is governed by two agreements. The first agreement establishes the MIF. It outlines the general purposes, methods of contribution and payment, operations and decision-making structure of the MIF. A second agreement addresses the administration of the MIF. It is an arrangement between the donor countries and the Inter-American Development Bank (IDB), the administrator of the MIF.

Negotiation of both agreements was successfully concluded in December 1991 and the agreements were signed in Washington in February 1992. The MIF entered into force on January 11, 1993 after the U.S., Japan, Honduras, Peru and Chile deposited Instruments of Acceptance with the IDB. Currently, seventeen countries are MIF Donors.

**II. U.S. Interests**

The MIF, a key element of the Enterprise for the Americas Initiative, enjoys wide multilateral support. The United States agreed to contribute \$500 million, as did Japan. Nineteen other European, Latin American and Caribbean nations agreed to contribute another \$257 million, for a total fund of nearly \$1.3 billion.

The MIF has three operating facilities or "windows":

- I. A **technical assistance facility** to identify and implement policy changes needed to transform the investment climate in recipient economies. Funds are made available for country diagnostic studies to identify investment constraints; development of national plans for the reform of economic policy and the legal environment to promote investment; advisory services on reforming laws affecting investment and tax systems; and advice on the design and implementation of privatization programs.

- II. **A human resources facility** to develop the human resource base needed for increased investment flows and expand the private sector. Funds are made available to strengthen vocational training, for example, including retraining former employees of state-owned enterprises and the training of individuals who can serve in the regulatory functions essential to the operation of a market-oriented system.
- III. **An enterprise development facility** to provide market-based financing and technical support for small and micro-enterprises to assist firms improve financial and business practices. This facility also makes loans and equity investments in small and micro-enterprises, helping to broaden the participation of lower-income groups in the region's economies and improving their access to the global marketplace.

The MIF began operations in 1993; in its first partial year of operations, the MIF Donors Committee approved three grants totalling \$7 million. The pace increased in 1994, with thirty operations totalling \$65 million having been approved by the MIF's Donors Committee. Twenty countries are eligible for MIF assistance, and there are some 57 projects, totalling \$140 million, currently in the MIF pipeline.

### **III. U.S. Financial Commitments**

The U.S. contribution to the MIF, \$500 million over five years, was authorized in P.L. 102-391. In FY 1993, \$90 million was appropriated for the first installment of the U.S. contribution to the MIF under P.L. 102-391. In FY 1994, \$75 million was appropriated (P.L. 103-87) for the second installment. For FY 1995, another \$75 million was appropriated (P.L. 103-306), making the U.S. share of contributions to the MIF approximately 36 percent as of year-end 1994. U.S. arrears total \$60 million.

U.S. TREASURY DEPARTMENT  
 MULTILATERAL INVESTMENT FUND

(Dollars in Thousands)

Authorization	Total Authorized U.S. Participation	Appropriations	Amount
Public Law 102-391		For'n Ass. & Rel'd Prog's Approp's Act 1993 (PL 102-391) .....	90,000
		For'n Ops. & Rel'd Prog's Approp's Act 1994 (PL 103-87) .....	75,000
Multilateral Investment Fund .....	500,000	For'n Ops. & Rel'd Prog's Approp's Act 1995 (PL 103-306) .....	75,000
		1998 REQUEST .....	100,000

**ASIAN DEVELOPMENT BANK  
JUSTIFICATION FOR  
FY 1996 APPROPRIATIONS**

**Budget Authority Request:**       \$ 13,221,596 paid-in capital  
  \$ 647,858,204 callable capital

The Administration requests budget authority for the Asian Development Bank (ADB) totaling \$13.2 million for paid-in capital and program limitations of \$647.9 million for callable capital. This represents the first annual installment on the six-year capital subscription to the Fourth General Capital Increase (GCI-IV).

**I. Institutional Structure**

The Asian Development Bank (ADB) was established in 1966 and began ordinary capital lending operations in 1968. The Bank is corporate in form, with its capital stock owned by member governments. Authorized capital stock currently totals about \$48 billion. The Bank makes loans to developing member countries at market-based interest rates from its ordinary capital resources, which consist of (1) paid-in capital subscriptions of members, and (2) proceeds of borrowings in private capital markets that are based on members' callable capital subscriptions. Currently, the ADB has 55 member countries -- 39 regional countries, including developed countries such as Japan, Australia and New Zealand, and 16 developed non-regional countries, including the United States, Canada and 13 European countries.

Japan and the United States, at about 16 percent ownership each, are the two largest shareholders in the ADB. The U.S. and Japan traditionally have equal votes, but since Japan has already paid its first installment to the fourth General Capital Increase, the United States has lost parity with Japan. As of January 10, 1995, the United States has 10 percent of the voting power while Japan has 21 percent.

The Bank has its headquarters in Manila, Philippines, one regional office in Port Vila, Vanuatu, and five resident offices, one each in Dhaka, Bangladesh; New Delhi, India; Jakarta, Indonesia; Kathmandu, Nepal; and Islamabad, Pakistan. The Board of Directors is considering opening a representative office in Washington, D.C. during the second half of 1995.

**II. Bank Operations**

The ADB has become a major catalyst in promoting the development of the most populous and fastest-growing region in the world today.

The Bank loaned \$2,598 million in 1994 through its ordinary capital resources (OCR) window. At end-1994, cumulative ordinary capital loan commitments totaled \$35,200 million. The largest OCR borrowers over the past six years have been Indonesia, India,

- 2 -

China, Philippines, and Thailand. Lending operations cover the entire spectrum of economic development, with particular emphasis on agriculture, energy, capital market development, transport and communications and social infrastructure. The ADB also supports private sector development through catalytic, targeted direct lending and equity investments; \$1 billion has been allocated for this program.

Of growing importance are non-lending activities aimed at advancing the policy dialogue with borrowing members, providing technical assistance to upgrade institutional capacity and improve public sector management, improving donor coordination, and promoting private sector investment in economic development. Bank staff also respond to requests for assistance in coordinating development policies and plans of developing member countries. In its operations, the Bank is required to give special attention to the needs of the smaller or less developed countries and give priority to regional, sub-regional and national projects and programs which will contribute to the harmonious economic growth of the region as a whole.

To further magnify its developmental impact, the ADB actively pursues co-financing activities with official as well as commercial and export credit sources.

### III. U.S. Interests

The Asian Development Bank plays a key role in the economic and social progress of its developing member countries in Asia and the Pacific. Many of these countries are important to the foreign policy interests of the United States. U.S. participation in the Bank gives us an effective vehicle for economic development in Asia and thus helps to bring about conditions necessary for political stability in a part of the world that is of key importance to U.S. strategic and economic interests.

The United States has successfully used its leadership role to shape the ADB's policy agenda and open opportunities for U.S. business.

- o U.S. participation in the ADB makes U.S. firms eligible to bid on lucrative project contracts, giving U.S. firms the opportunity to gain market share. In 1993, the ADB financed \$144.1 million in U.S. goods and services.<sup>1</sup> This paves the way for larger volume, follow-on business.

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<sup>1</sup> In 1993, U.S. firms bid on less than 5 percent of ADB business but, when they did bid, won 63 percent of the time. Performance by U.S. and Japan has been roughly equal over the last several years.

-- U.S. exports to developing Asia have more than doubled since 1987, supporting millions of jobs in the U.S. U.S. trade with Asia, excluding Japan, is as large as our trade with the entire European Union (EU). Counting Japan, it's nearly twice as large.

o The ADB has adopted a number of U.S.-led initiatives to encourage adoption of market-oriented policy/legal/regulatory framework, provide economic opportunities for the poor, protect the environment and foster good governance.

-- Country programming reflects country performance and policy priorities for long-term sustainable development.

-- The Board of Directors is considering expanding the ADB's private sector program. The \$1 billion previously allocated is almost fully utilized.

-- The ADB assesses the environmental impact of projects under preparation and, as appropriate, modifies project design. The Board has discussed or approved policies on forestry, energy, information, and an inspection function. This year, the Board will discuss policies on involuntary resettlement and indigenous people.

-- The Board plans to establish a policy on good governance this year.

o The U.S. has also pressed for institutional reforms that make the ADB more efficient, transparent and accountable, and improve project quality.

-- The ADB is implementing the action plan set out in the February 1994 Report of the Task Force on Improving Project Quality.

-- The ADB President authorized a major reorganization, similar to recent reorganizations at the World Bank and the Inter-American Development Bank, effective this year. It reorganizes the Bank along geographic lines to strengthen the country focus.

-- The information disclosure policy became effective this year.

-- The Board of Directors is establishing an inspection function to ensure the Bank follows its own policies.

-- The ADB also pursues tight budget policies. The Board approved zero real growth in the 1995 budget (except for one-time costs associated with an "early out" program for Bank staff). First-class travel was eliminated in 1993.

#### IV. U.S. Financial Commitments

U.S. membership in the ADB and an original capital subscription of \$200 million, consisting of \$100 million each of callable capital and paid-in capital, were authorized in March 1966 (P.L. 89-369). The U.S. joined the Bank in August 1966. The callable portion of the original capital subscription was appropriated in FY 1966 (P.L. 89-426). The paid-in portion of the original capital subscription was appropriated and provided in four installments: \$40 million in FY 1966 and \$20 million each in FY 1969, FY 1970, and FY 1971 (P.L. 89-426, P.L. 90-581, P.L. 91-194 and P.L. 92-18, respectively).

Three general capital increases to authorized capital totalling \$15.1 billion were approved by the ADB's members in 1971, 1976, and 1983. The U.S. participated in all of these increases with appropriation of an additional \$2,499 million in paid-in and callable capital.

The ADB Board of Governors approved a Special Capital Increase (SCI) in 1988. The SCI permitted Sweden to join the ADB, and Japan and the U.S. to adjust shareholdings back to the original 16.2 percent share held by each. The United States agreed to subscribe to Bank shares totaling \$425 million: \$51 million for paid-in capital and \$374 million for callable capital. FY 1992 Continuing Resolution (P.L. 102-266) authorized U.S. participation and appropriations were made in FY 1993 and FY 1994.

A fourth general capital increase was approved by the Board of Governors on May 22, 1994. The United States agreed to subscribe to Bank shares totaling \$3,330.8 million: \$66.6 million for paid-in capital and \$3,264.2 million for callable capital.

GCI-IV, approved by the Board of Governors May 22, 1994, doubles ADB capital from roughly \$24 billion to \$48 billion. This is the first general capital increase in 10 years and the fourth since the ADB's inception 28 years ago. The United States succeeded in negotiating the lowest annual cost ever for U.S. taxpayers (\$66.6 million for paid-in capital, payable over six years) while keeping parity with Japan as the Bank's two leading shareholders.

Deadline for entering a subscription to the capital increase is December 31, 1995. It is possible for the Board of Directors to extend that date. If the United States does not subscribe, shares presently set aside for the U.S. would go into the pool of unallocated shares available for subscription by other member countries. Such an event would mean that the U.S. would permanently lose parity with Japan as the leading shareholders.

U.S. TREASURY DEPARTMENT  
ASIAN DEVELOPMENT BANK

(Dollars in Thousands)

Authorization	Total Authorized U.S. Participation	Appropriations	Amount
Public Law 89-369:		Second Supplemental Appropriation Act, 1966 (PL 89-428):	
Paid-In Capital.....	100,000	Paid-In Capital.....	100,000
Callable Capital.....	100,000	Callable Capital.....	40,000
		For'n Ass. & Ret'd Prog's Approp's Act 1969 (PL 90-581).....	20,000
		For'n Ass. & Ret'd Prog's Approp's Act 1970 (PL 91-194).....	20,000
	<u>200,000</u>	For'n Ass. & Ret'd Prog's Approp's Act 1971 (PL 92-18).....	20,000
			<u>200,000</u>
Public Law 93-537:		For'n Ass. & Ret'd Prog's Approp's Act 1975 (PL 94-11):	
Paid-In Capital.....	72,361	Paid-In Capital.....	24,127
Callable Capital.....	289,524	Non-Appropriated Callable Capital, 1975.....	(96,508)
		For'n Ass. & Ret'd Prog's Approp's Act 1978 (PL 94-330):	
		Paid-In Capital.....	24,127
		Callable Capital.....	96,509
		For'n Ass. & Ret'd Prog's Approp's Act 1977 (PL 94-441):	
		Paid-In Capital.....	24,127
		Callable Capital.....	66,350
	<u>381,905</u>	Non-Appropriated Callable Capital, 1977.....	(30,156)
			<u>381,905</u>
Public Law 95-118:		For'n Ass. & Ret'd Prog's Approp's Act 1978 (PL 95-148):	
Paid-In Capital.....	81,429	Paid-In Capital.....	18,789
Callable Capital.....	732,856	Callable Capital.....	151,189
		For'n Ass. & Ret'd Prog's Approp's Act 1979 (PL 95-481):	
		Paid-In Capital.....	19,451
		Callable Capital.....	175,061
		1980 Continuing Resolution (PL 96-123):	
		Paid-In Capital.....	15,360
		Callable Capital.....	138,352
		1981 Continuing Resolution (PL 96-538):	
		Paid-In Capital.....	24,827
		Callable Capital.....	< 223,380 >
		For'n Ass. & Ret'd Prog's Approp's Act 1982 (PL 97-121):	
		Paid-In Capital.....	4,714
		Callable Capital.....	< 42,632 >
		1983 Continuing Resolution (PL 97-278/87-377):	
		Paid-In Capital.....	248
		Callable Capital.....	< 2,244 >
	<u>814,287</u>		<u>814,287</u>

-2-

(Dollars in Thousands)

## ASIAN DEVELOPMENT BANK

Authorization	Total Authorized U.S. Participation	Appropriations	Amount
Public Law 98 - 181:			
Paid-In Capital.....	66,153	1984 Continuing Resolution (PL 98 - 151):	13,233
Callable Capital.....	1,256,847	Paid-In Capital.....	< 251,377 >
		Callable Capital.....	
		For'n Ass. & Rel'd Prog's Approp's Act 1985 (PL 98 - 473):	
		Paid-In Capital.....	13,233
		Callable Capital.....	< 251,387 >
		For'n Ass. & Rel'd Prog's Approp's Act 1986 (PL 99 - 180):	
		Paid-In Capital.....	11,909
		Callable Capital.....	< 228,230 >
		1986 Sequestration (PL 99 - 177):	
		Paid-In Capital.....	(512)
		1987 Continuing Resolution (PL 99 - 591):	
		Paid-In Capital.....	13,233
		Callable Capital.....	< 251,387 >
		1988 Continuing Resolution (PL 100 - 202):	
		Paid-In Capital.....	15,057
		Callable Capital.....	< 278,504 >
	<u>1,323,000</u>		<u>1,323,000</u>
Public Law 102 - 288:		For'n Ass. & Rel'd Prog's Approp's Act 1983 (PL 102 - 391):	
Paid-In Capital.....	51,041	Paid-In Capital.....	38,014
Callable Capital.....	373,958	Callable Capital.....	< 278,518 >
		For'n Ops. & Rel'd Prog's Approp's Act 1994 (PL 103 - 87):	
		Paid-In Capital.....	13,028
		Callable Capital.....	< 95,438 >
	<u>424,997</u>		<u>424,996</u>
		For'n Ops. & Rel'd Prog's Approp's Act 1995 (PL 103 - 308):	
		Paid-In Capital.....	0
		Callable Capital.....	< 0 >
		1996 REQUEST	
		Paid-In Capital.....	13,222
		Callable Capital.....	< 647,858 >

**ASIAN DEVELOPMENT FUND  
JUSTIFICATION FOR  
FY 1996 APPROPRIATIONS**

**Budget Authority Request:**        \$ 304,528,525 contribution

The Administration requests budget authority for the Asian Development Fund (ADF) totaling \$304.5 million, of which \$170 million constitutes the fourth and final installment to the Fifth Replenishment of the ADF (ADF-VI) and \$134.5 million constitutes arrears. This request implies a carryover of \$132.5 million in arrears to FY 1997.

The current replenishment (ADF-VI) of \$4.2 billion finances operations over the four year period 1992-1995. Of the \$4.2 billion total, \$140 million was allocated for project-related technical assistance to the poorer ADB member countries and for regional technical assistance. Negotiations for this replenishment, the ADF's fifth, concluded December 10, 1991.

**I. Institutional Structure and Mandate**

The soft loan window of the Asian Development Bank (ADB) is the Asian Development Fund (ADF). The ADF was created in 1974 to provide concessional funds to the poorest countries in Asia.

ADF loans, which must be fully repaid, are extended for longer terms and at concessional rates. The loans finance priority economic development projects in the poorest ADB member countries.

Member governments provide the resources for ADF lending. Japan is the largest donor and contributes 37.7 percent to the current replenishment (ADF-VI). The United States, the second largest donor, contributes 16.2 percent to ADF-VI.

**II. Fund Operations**

The ADF, as the concessional loan window of the Asian Development Bank, extended \$1,177 million in new loans during 1994. As of December 31, 1994, cumulative loan commitments from the Asian Development Fund (ADF) totaled \$16,037 million.

Major ADF borrowers include Pakistan, Bangladesh, Sri Lanka and Nepal. The Philippines and Indonesia, which had graduated from the ADF several years ago, were given renewed access to the soft loan funds because of their economic difficulties. Countries transitioning to market economies, notably the central Asian republics of Kazakhstan and the Kyrgyz Republic, are beginning to receive assistance as well.

### III. U.S. Interests

Two-thirds of the world's poorest people live in Asia. ADF borrowing countries have relatively low per capita GNPs, rapidly growing populations, and limited productive capacity, all of which combine to constrain their ability to generate and harness domestic savings. They then rely heavily on foreign capital inflows to finance domestic investments in economic development. For these countries, the ADF is an important source of foreign capital. U.S. participation in the ADF demonstrates our commitment to the economic development of countries in a region that is strategically and economically important to the United States.

Important policies negotiated under the current replenishment (ADF-VI) included: precluding access for India and China; allocating ADF resources based on performance (i.e., sound economic management, efforts to promote economic growth and sustainable long-term development); fostering the private sector and entrepreneurial opportunities; increasing donor coordination and cooperation; strengthening environmental activities (including Environmental Impact Assessments, country environment strategy reports, forestry, energy efficiency and conservation); precluding project approval when a recipient's sector policies would adversely affect the project; and changing procedural rules to allow the Board to veto future disbursement when a borrower does not meet loan conditions.

U.S. arrears to the multilateral development banks are proportionately the greatest with respect to the Asian Development Fund. So has been the reaction of other donors.

- o In the ADF, as in other soft loan windows of the multilateral development banks, contributors have the right to reduce their contributions in proportion to non-payment by another contributor. Contributors, including all G-7 countries except Japan, can and have cut back their ADF contributions by about \$387 million, because of U.S. arrears (totaling \$267 million in FY 1995). This has depressed ADF lending activity.

(On the other hand, FY 1995 payment by the United States of \$168 million, almost a full payment, forced those contributors to pay up over \$240 million.)

- o An unprecedented policy idea has been suggested by one member of the Board of Directors: that business from countries behind in their ADF payments be denied procurement bidding rights. This is the first time such a linkage has been raised in the multilateral development banks.

**IV. U.S. Financial Commitments**

Agreements were reached among the ADF's member governments to support four replenishments of the resources of the Fund in 1975, 1978, 1982, and 1986. The U.S. participated in all of the replenishments, contributing a total of \$1,729 million.

In December 1991, negotiations were completed on a \$4.2 billion Fifth ADF Replenishment (ADF-VI). The replenishment covers the 1992-1995 period. The U.S. share of the replenishment is 16.19 percent, or \$680 million. Four annual installments of \$170 million are scheduled for FY 1993-96. (The Japanese share is 37.7 percent or \$1,583.43 million.)

The Administration requested \$170 million in budget authority in FY 1993 for the first installment of ADF-VI. The FY 1993 appropriation of \$62.5 million cleared arrears of \$50 million to the previous replenishment (ADF-V) and provided \$13 million toward the first installment of ADF VI. In FY 1994, \$62.5 million was appropriated for ADF-VI. FY 1995 appropriations totaled \$168.0 million. Overdue payments as of end-FY 1995 amount to \$267.0 million.

U.S. TREASURY DEPARTMENT  
ASIAN DEVELOPMENT FUND  
(Dollars in Thousands)

Authorization	Total Authorized U.S. Participation	Appropriations	Amount
Public Law 92-245: Contributions to Consolidated Special Funds.....	100,000	For'n Aas. & Rel'd Prog's Approp's Act 1974 (PL 93-240): Consolidated Special Funds.....	50,000
	<u>100,000</u>	For'n Aas. & Rel'd Prog's Approp's Act 1975 (PL 94-11): Consolidated Special Funds.....	50,000
			<u>100,000</u>
Public Law 93-537: Asian Development Fund.....	50,000	For'n Aas. & Rel'd Prog's Approp's Act 1975 (PL 94-11)... Supplemental Appropriation Act, 1977 (PL 95-26).....	25,000 25,000
	<u>50,000</u>		<u>50,000</u>
Public Law 95-118: Asian Development Fund (ADF II)....	180,000	For'n Aas. & Rel'd Prog's Approp's Act 1978 (PL 95-148)... For'n Aas. & Rel'd Prog's Approp's Act 1979 (PL 95-481)... 1981 Continuing Resolution (PL 96-536)..... For'n Aas. & Rel'd Prog's Approp's Act 1982 (PL 97-121)... 1983 Continuing Resolution (PL 97-276/87-377)..... Supplemental Appropriations Act, 1985 (PL 98-89).....	49,512 70,488 3,535 7,848 20,384 29,232
	<u>180,000</u>		<u>180,000</u>
Public Law 98-259 & 97-35: Asian Development Fund (ADF III)...	445,000	1980 Continuing Resolution (PL 96-123)..... 1981 Continuing Resolution (PL 96-536)..... For'n Aas. & Rel'd Prog's Approp's Act 1982 (PL 97-121)... 1983 Continuing Resolution (PL 97-276)..... 1984 Continuing Resolution (PL 98-151).....	111,250 111,250 108,250 111,250 3,000
	<u>445,000</u>		<u>445,000</u>
Public Law 98-181: Asian Development Fund (ADF IV)...	520,000	1984 Continuing Resolution (PL 98-151)..... For'n Aas. & Rel'd Prog's Approp's Act 1985 (PL 98-473)... Supplemental Appropriations Act, 1985 (PL 98-85)..... For'n Aas. & Rel'd Prog's Approp's Act 1986 (PL 99-190)... 1986 Sequestration (PL 98-177)..... 1987 Continuing Resolution (PL 98-591)..... 1988 Continuing Resolution (PL 100-202)..... For'n Aas. & Rel'd Prog's Approp's Act 1989 (PL 100-481).....	87,000 100,000 63,000 100,000 (4,300) 91,406 28,000 44,884
	<u>520,000</u>		<u>520,000</u>

(Dollars in Thousands)

- 2 -

ASIAN DEVELOPMENT FUND

Authorization	Total Authorized U.S. Participation	Appropriations	Amount
Public Law 100-202: Asian Development Fund (ADF V)....	584,280	For'n Ass. & Rel'd Prog's Approp's Act 1989 (PL 100-461). For'n Ass. & Rel'd Prog's Approp's Act 1990 (PL 101-167). 1990 Sequestration (PLs 99-177, 100-119, 101-239)..... For'n Ass. & Rel'd Prog's Approp's Act 1991 (PL 101-513). 1991 Sequestration (PLs 99-177, 100-119, 101-508)..... 1991 Sequestration Restoration (PL 102-27)..... 1992 Continuing Resolutions (PLs 102-145, 102-266)..... For'n Ass. & Rel'd Prog's Approp's Act 1993 (PL 102-391).	107,498 177,183 (2,210) 126,854 (2,410) 2,410 124,978 49,977 <u>584,280</u>
Public Law 103-87: Asian Development Fund (ADF VI)...	680,000	For'n Ass. & Rel'd Prog's Approp's Act 1993 (PL 102-391).. For'n Ops. & Rel'd Prog's Approp's Act 1994 (PL 103-87)... For'n Ops. & Rel'd Prog's Approp's Act 1995 (PL 103-308).	12,523 62,500 167,980
		1996 REQUEST.....	304,529

## AFRICAN DEVELOPMENT BANK

JUSTIFICATION FOR  
FY 1996 APPROPRIATIONS

**Budget Authority Request:** No funds for the AFDB are requested in FY96.

**I. Institutional Structure and Mandate**

The African Development Bank (AFDB) is a regional development bank whose purpose is to contribute to the economic development and social progress of its regional members. The African Development Bank makes loans at near-market terms to its more creditworthy borrowing member countries. The African Development Fund assists the poorest African nations with funding at highly concessional terms.

The African Bank was established August 4, 1963, and - by charter amendment - was opened for membership by non-African countries on May 7, 1982. The AFDB's charter provides for two-thirds African ownership of the Bank. At the end of 1993, there were 76 members of nk. At the end of 1993, there were 76 members of the AFDB, including 51 African members, 15 European members, 4 North and South American members, 4 Asian members, and 2 Middle Eastern members.

The United States formally joined the Bank in February 1983 with an initial subscription of 5.8 percent of the Bank's shares. The U.S. is the largest non-regional shareholder, with an end-1993 relative percentage shareholding of 5.85 percent. The U.S. has its own Executive Director, and is the only single-country constituency in the Bank's Executive Board.

**II. Operations**

During 1994, the African Bank extended 24 loans totalling \$1.3 billion to 13 countries. At end 1993, the AFDB had extended 676 loans totalling about \$17.3 billion. Public utilities received the largest share of these loans (25.7%), followed by industry (22%), agriculture (21.6%) and transportation (14.6%).

**III. U. S. Interests**

The U.S. is working with the African Bank to strengthen its policies in such key areas as: (1) environmental assessment of proposed projects; (2) consultations with non-governmental organizations (NGOs); and (3) creation of an independent inspection function.

The United States secured important changes in Bank policies in the context of the Fourth General Capital Increase of ordinary capital resources. These include:

- 2 -

- more effective country programming and lending operations through development of country strategies;
- enhanced efforts to improve project quality and ensure consistency with borrower country strategies through intensified monitoring of project implementation, including post-evaluation activities;
- strengthened coordination with other donors to enhance absorptive capacity and the ability to service external debt; and
- policy-based lending in support of needed market-oriented reforms conducted in conjunction with the World Bank and other development institutions.

#### IV. U.S. Financial Commitments

The AFDB has a total authorized capital base of SDR 16.2 billion (approximately \$22.3 billion equivalent). About 94.25 percent of this total has been fully subscribed by the shareholders. The United States has participated in the last two capital increases, GCI-III (when non-regional members were admitted), and GCI-IV.

U.S. membership was authorized by Public Law 97-35 as was a U.S. subscription of \$359.7 million to AFDB capital. The first installment of the U.S. subscription (\$18.0 million for paid-in capital and \$54.0 million, under program limitation authority, for subscription to callable capital) was appropriated in FY 1981 (PL 97-12).

A second and third installment with identical amounts for paid-in and callable capital subscriptions were provided under PL 98-151 and PL 98-473. In FY 1986, \$16.2 million in budget authority for paid-in capital was appropriated, along with \$48.6 million in callable capital under program limitations (PL 99-190). Under authority of PL 99-177, \$696,000 of the FY 1986 appropriation for paid-in capital was sequestered.

The FY 1987 Continuing Resolution (PL 99-591) provided \$13.99 million for paid-in capital and \$41.99 million for callable capital were appropriated in a FY 1987 supplemental appropriation (PL 100-71).

In 1986, agreement was reached on a \$13 billion increase in the capital of the AFDB (the **Fourth General Capital Increase**). The U.S. share of the increase is \$719.6 million of which \$44.97 million is paid-in over five years. Under FY 1988 Continuing Resolution (PL 100-202), Congress appropriated \$9.0 million for paid-in capital and authorized \$134.9 million for callable capital subscriptions to make the first installment of that subscription.

- 3 -

In 1989 (under PL 100-461), Congress appropriated \$7.3 million for paid-in capital and authorized \$135.0 million for callable capital to go toward the second installment.

In FY 1990 (under PL 101-167), Congress appropriated \$9.6 million for paid-in capital and authorized \$134.2 million for callable capital to clear arrears on the second installment and to make payment on the third installment.

In FY 1991 (under PL 101-513), Congress appropriated \$10.1 million for paid-in capital and \$135.4 million for callable capital to clear arrears on the third installment and to pay the fourth installment.

In FY 1992 (under PL 102-145 and 102-266), Congress appropriated \$8.8 million for paid-in capital and \$132.8 million in callable capital. In FY 1993 and 1994 there were no appropriations for the African Development Bank.

In FY 1995, the Administration requested and received \$133,000 in paid-in capital and \$2,002,540 in callable capital for payment of arrears to the Bank. As of end-1994, Congress had appropriated a cumulative \$135 million for paid-in capital and enacted program limitations of \$944 million for callable capital in the AFDB. There are currently no U.S. arrears to the Bank.

U.S. TREASURY DEPARTMENT  
AFRICAN DEVELOPMENT BANK

(Dollars in Thousands)

Authorization	Total Authorized U.S. Participation	Appropriations	Amount
Public Law 97-35:			
Paid-In Capital.....	89,933	1981 Supplemental (PL 97-12):	
Callable Capital.....	269,800	Paid-In Capital.....	17,987
		Callable Capital.....	53,960 >
		1984 Continuing Resolution (PL 98-151):	
		Paid-In Capital.....	17,987
		Callable Capital.....	53,960 >
		For'n Ass. & Rel'd Prog's Approp's Act 1985 (PL 98-473)	
		Paid-In Capital.....	17,988
		Callable Capital.....	53,980 >
		For'n Ass. & Rel'd Prog's Approp's Act 1986 (PL 99-190)	
		Paid-In Capital.....	16,189
		Callable Capital.....	48,564 >
		1986 Sequestration (PL 99-177)	
		Paid-In Capital.....	(696)
		1987 Continuing Resolution (PL 99-591)	
		Paid-In Capital.....	13,988
		Callable Capital.....	41,981 >
		Supplemental Appropriations Act, 1987 (PL 100-71):	
		Paid-In Capital.....	6,482
		Callable Capital.....	17,375 >
	<u>359,733</u>		<u>359,735</u>
Public Law 100-202:		1988 Continuing Resolution (PL 100-202):	
Paid-In Capital.....	44,961	Paid-In Capital.....	8,999
Callable Capital.....	674,410	Callable Capital.....	134,918 >
	<u>719,371</u>		
		For'n Ass. & Rel'd Prog's Approp's Act 1989 (PL 100-481)	
		Paid-In Capital.....	7,345
		Callable Capital.....	135,063 >

AFRICAN DEVELOPMENT BANK

(Dollars in Thousands)

Authorization	Total Authorized U.S. Participation	Appropriations	Amount
		For'n Ass. & Rel'd Prog's Approp's Act 1990 (PL 101-187)	
		Paid-In Capital.....	9,560
		Callable Capital.....	134,230 >
		1990 Sequestration (PL 99-177, 100-119, 101-239).....	(107)
		For'n Ass. & Rel'd Prog's Approp's Act 1991 (PL 101-513)	
		Paid-In Capital.....	10,136
		Callable Capital.....	195,389 >
		1991 Sequestration (PL 99-177, 100-119, 101-508).....	(193)
		1991 Sequestration Restoration (PL 102-27).....	193
		1992 Continuing Resolutions (PLs 102-145, 102-288):	
		Paid-In Capital.....	8,854
		Callable Capital.....	132,917 >
		For'n Ass. & Rel'd Prog's Approp's Act 1993 (PL 102-391)	
		Paid-In Capital.....	0
		Callable Capital.....	0 >
		For'n Ops. & Rel'd Prog's Approp's Act 1994 (PL 103-87)	
		Paid-In Capital.....	0
		Callable Capital.....	0 >
		For'n Ops. & Rel'd Prog's Approp's Act 1995 (PL 103-308)	
		Paid-In Capital.....	133
		Callable Capital.....	2,003 >
		1996 REQUEST	
		Paid-In Capital.....	0
		Callable Capital.....	0 >

**AFRICAN DEVELOPMENT FUND****JUSTIFICATION FOR  
FY 1996 APPROPRIATIONS**

**Budget Authority Request:** \$127,247,025 contribución

**I. Institutional Structure and Mandate**

The African Development Fund (AFDF) was established in 1973 to complement the operations of the African Development Bank by providing concessional financing for high priority development projects in the poorest African countries. Its purpose is to contribute to economic and social development in the African region.

The African Development Fund consists of 26 non-regional contributors -- from Europe, the Americas, Asia, and the Middle East -- and the African Development Bank, which represents the African members. The non-regional members hold 50 percent of the voting power.

**II. Operations**

At the end of 1993, the Fund had extended a cumulative total of 1,164 loans and grants worth approximately \$10.2 billion. During 1993, the AFDF approved 42 new loan commitments totalling \$796 million to 27 member countries, and extended 62 grants totalling \$98 million. AFDF loan terms are highly concessional, with a 50-year maturity, 10-year grace period and 0.75 percent service charge. The bulk of lending supports infrastructure, health, education and agricultural projects.

The Fund made no new loan or grant commitments in 1994. Subscribed resources from the 6th replenishment were exhausted in late 1993 and US arrears were settled in November 1994, clearing the way for a few additional loans. Negotiations for the seventh replenishment of the Fund began in May 1993 but have not yet concluded and projects cannot be financed from this replenishment. Once AFDF-VI is fully subscribed, the African Development Fund will have a resource base of SDR 7.7 billion (approximately \$10 billion equivalent) in cumulative subscriptions.

**III. U.S. Interests**

The United States joined the Fund in 1976. We are currently the second largest contributor and held 6.7 percent of the total voting power as of December 31, 1994. The United States has participated in all replenishments of the AFDF and has contributed 13.2 percent of total resources. As of end-1994, Congress had appropriated a total of \$1.2 billion for U.S. contributions to the AFDF. The US has pledged a total of \$315 million to the 7th replenishment. The U.S. has its own Executive

Director and is the only single-country constituency on the Executive Board.

The United States has strong humanitarian and strategic interests in aiding the poorest countries of the world's least developed continent. Participation in the African Development Fund underscores the long-standing interest of the people of the United States in helping to reduce hunger and poverty in the poorest countries of the world. We have been pressing the Fund to focus its operations in areas where it performs best and where the needs of the poorest are greatest (e.g., lending to support infrastructure development, such as: roads and buildings, water supply and sanitation; lending in support of basic education, health and nutrition; providing women greater access to economic opportunities; and lending to encourage micro enterprise development, creating new opportunities for the poor).

Much needed policy reforms designed to liberalize markets and strengthen the free enterprise system are also leveraged with Fund resources. When these reforms take hold, Africa could follow in the footsteps of East Asia and Latin America as an important market for US exports. In order to foster the private sector, the African Development Bank, largely at the behest of the United States, established the Private Sector Development Unit (PSDU) in 1991. By end 1994, it had made 17 loans and equity investments in private enterprises without government guarantees totalling \$71 million. Many of these loans were to enterprises in Africa's poorest countries. The Bank also established the African Business Roundtable, consisting of the Continent's leading business personalities, to advise the Bank Group on private sector strategy.

Major U.S. objectives include

- Eligibility. We and other donors have been working to clarify guidelines specifying the linkage between eligibility for Fund resources, per capita income and country creditworthiness. In particular, we are seeking to ensure that the poorest uncreditworthy countries have access only to concessional resources. Negotiations on this issue are still underway.
- Performance-based Allocation. Those countries with strong economic performance and a good record in the utilization of Fund resources will be eligible for performance enhancements, such as increased allocations from AFDF-7 resources. Likewise, weak performers will have their allocations reduced.
- Loan Quality Improvements. With strong U.S. support, the Bank commissioned a Task Force to examine project quality. The "Knox Report" recommended that the work program have a

- 3 -

greater country focus, and that staff emphasize project supervision at the expense of project preparation. The Bank's management prepared an Action Plan to implement recommendations of this report. Some recommendations have been implemented on schedule while others are tied-in with a Bank wide reorganization which will emphasize country focused operations. The United States is seeking to have all major recommendations implemented.

- Transparency and Accountability. We are working to establish an inspection panel similar to the World Bank's: such a panel would investigate claims by people that they have been or will be adversely affected due to the Bank's non-compliance with its own policies.
- Environment. The United States is pressing for further strengthening of the Fund's environmental efforts, including: an information disclosure policy similar to the World Bank's, and policies on water resources management, resettlement and indigenous people.

#### IV. U.S. Financial Commitments

The United States joined the Fund in November, 1976, and made an initial contribution of \$15 million (\$5 million was appropriated in PL 94-303 and \$10 million was appropriated in PL 94-441). The United States contributed an additional \$10 million (PL 95-148) to a special increase in 1977.

United States participation in the **First Replenishment** of the Fund was authorized in 1977 (PL 95-118), and \$25 million for the U.S. contribution was appropriated in 1979 (PL 95-481).

In June 1980, PL 96-259 authorized a U.S. contribution of \$125 million to the **Second Replenishment** of the AFDF. Payments on this contribution were made in 1980 (\$25 million, PL 96-123), 1981 (41.7 million, PL 96-536), and 1982 (\$58.3 million, PL 97-121).

In 1983, PL 98-181 authorized a U.S. contribution of \$150 million to the **Third Replenishment**. Payments on this contribution were made in \$50 million installments in 1983 (PL 97-377), 1984 (PL 98-151) and 1985 (PL 98-473).

In 1986, PL 99-190 authorized U.S. participation in the **Fourth Replenishment** with a contribution of \$225 million. Payments were made in 1986 (\$62.3 million, PL 99-190, of which \$2.7 million was sequestered under PL 99-177), 1987 (\$53.8 million, PL 99-591, and a supplemental \$36.6 million, PL 100-71) and 1988 (\$75 million, PL 100-202).

- 4 -

In 1989, PL 100-461 authorized a U.S. contribution of \$315 million (11.8 percent) to the \$2.7 billion **Fifth Replenishment**. Payments were made in 1989 (\$105 million under PL 100-461 for the first installment), 1990 (\$104.5 million under PL 101-167) and 1991 (\$105.5 million under PL 101-513 to complete the \$0.5 million shortfall in the second installment and to make the third and final installment).

Congress authorized a U.S. contribution of \$405 million to the \$3.4 billion **Sixth Replenishment** in P.L. 102-266. Payments on the U.S. contribution have been made in 1992 (\$103.8 million, P.L. 102-266), 1993 (\$103.8 million, P.L. 102-391) and 1994 (\$135 million, P.L. 103-87). In November 1994, the US cleared its arrears of \$62.2 million to the 6th replenishment.

Congress authorized U.S. participation in the **Seventh Replenishment** in 1994 and appropriated \$124.2 million for U.S. contributions to the Fund (P.L. 103-306).

The Administration is requesting \$127.3 million for the African Development Fund in FY96.

U.S. TREASURY DEPARTMENT  
AFRICAN DEVELOPMENT FUND  
(Dollars in Thousands)

Authorization	Total Authorized U.S. Participation	Appropriations	Amount
Public Law 94-302:			
Initial U.S. Subscription.....	25,000	Second Supplemental Appropriations Act, 1976 (PL 94-303).....	5,000
	<u>25,000</u>	For'n Ass. & Rel'd Agencies Approp's Act 1977 (PL 94-441).....	10,000
		For'n Ass. & Rel'd Agencies Approp's Act 1978 (PL 95-148).....	10,000
			<u>25,000</u>
Public Law 95-118:		For'n Ass. & Rel'd Agencies Approp's Act 1979 (PL 95-481).....	25,000
First Replenishment (AFDF I).....	50,000		
Public Law 96-259:			
Second Replenishment (AFDF II)...	125,000	1980 Continuing Resolution (PL 96-123).....	25,000
	<u>125,000</u>	1981 Continuing Resolution (PL 96-538).....	41,687
		For'n Ass. & Rel'd Prog's Approp's Act 1982 (PL 97-121).....	58,333
			<u>125,000</u>
Public Law 98-181:			
Third Replenishment (AFDF III).....	150,000	1983 Continuing Resolution (PL 97-377).....	50,000
	<u>150,000</u>	1984 Continuing Resolution (PL 98-151).....	50,000
		For'n Ass. & Rel'd Prog's Approp's Act 1985 (PL 98-473).....	50,000
			<u>150,000</u>
Public Law 99-190:			
Fourth Replenishment (AFDF IV)...	225,000	For'n Ass. & Rel'd Prog's Approp's Act 1986 (PL 99-190).....	62,250
		1986 Sequestration (PL 99-177).....	(2,677)
		1987 Continuing Resolution (PL 99-591).....	53,788
		Supplemental Appropriations Act, 1987 (PL 100-71).....	38,639
		1988 Continuing Resolution (PL 100-202).....	75,000
			<u>225,000</u>
Public Law 100-461:			
Fifth Replenishment (AFDF V).....	315,000	For'n Ass. & Rel'd Prog's Approp's Act 1989 (PL 100-461).....	105,000
		For'n Ass. & Rel'd Prog's Approp's Act 1990 (PL 101-167).....	104,548
		For'n Ass. & Rel'd Prog's Approp's Act 1991 (PL 101-513).....	105,452
		1991 Sequestration (PLs 99-177, 100-118, 101-508).....	(2,004)
		1991 Sequestration Restoration (PL 102-27).....	2,004
			<u>315,000</u>
Public Law 102-266:			
Sixth Replenishment (AFDF VI).....	405,000	1992 Continuing Resolutions (PLs 102-145, 102-266).....	103,893
		For'n Ass. & Rel'd Prog's Approp's Act 1993 (PL 102-391).....	103,893
		For'n Ops. & Rel'd Prog's Approp's Act 1994 (PL 103-87).....	135,000

- 2 -

(Dollars in Thousands)

## AFRICAN DEVELOPMENT FUND

Authorization	Total Authorized U.S. Participation	Appropriations	Amount
Public Law 103-306: Seventh Replenishment .....	315,000	For'n Ops. & Rel'd Prog's Approp's Act 1995 (PL 103-306)..... Arrears.....	124,229 20,700
(AFDF VII)		Subscribed Payment.....	103,529
		1996 REQUEST .....	127,247

**EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT**

**JUSTIFICATION FOR  
FY 1996 APPROPRIATIONS**

**Budget Authority Request:**       \$ 81,916,447 paid-in capital  
  \$191,138,376 callable capital

**I. Institutional Structure and Mandate**

The European Bank for Reconstruction and Development (EBRD) was established in 1991 to foster the transition toward market-oriented economies and to promote private and entrepreneurial initiatives in central Europe and the former Soviet Union.

Countries receiving EBRD assistance must be committed to and applying the principles of multiparty democracy, the rule of law, respect for human rights and market economics. The EBRD has 59 members, of which 25 are borrowing members. The United States has pledged to subscribe to a 10% share of capital and currently holds voting power of 8.3%.

The Bank's focus is private sector investment. The EBRD is giving particular emphasis to strengthening financial institutions, promoting privatization, developing the local private sector, and creating a modern infrastructure. Its role is catalytic in that it encourages co-financing with private and public financial institutions, mobilizes domestic capital resources, and provides technical cooperation in pursuit of these objectives and to help make reforms sustainable.

The Bank is required by its Charter to direct at least 60 percent of operations (both lending and equity) to the private sector or public enterprises shifting to private control. Remaining resources are to be lent for infrastructure projects that support private development, and for state-owned enterprises that operate competitively.

The Bank invests in commercially sound projects and on commercial terms. In other words, the EBRD does not make grants, nor does it lend at below market interest rates. The Bank also places great emphasis on projects that contribute to environmentally sound and sustainable development.

**II. Bank Operations**

From the EBRD's inauguration in the spring of 1991 through December 31, 1994, the Bank has approved 251 projects worth \$7.1 billion. The top beneficiaries of Board approved projects are: Russia (\$1.3 billion), Poland (\$1.1 billion), Hungary (\$910 million), Czech Republic (\$591 million),

- 2 -

Romania (\$577 million), Slovenia (\$373 million) and Slovakia (\$335 million). The Bank has concentrated its operations in the financial, telecommunications, transport services, roads and bridges, oil and gas and energy sectors.

The Bank has put growing emphasis on approving private sector projects and equity activities:

- o Private sector projects grew by 54% in 1994 to a total of \$4.5 billion.
- o For the year ending December 30, 1994, cumulative disbursements were up 118% over 1993. More than \$1.1 billion has been disbursed on private sector projects.
- o For 1994, approved equity projects nearly doubled to a total of over \$1.1 billion.

The Bank also has attempted to target its activities more evenly across countries of operations, with plans to have at least one operation in each country:

- o In the first half of the year, the thirteen countries with the least EBRD investment doubled.
- o In 1994, the Board approved the Bank's first projects in Kyrgyzstan, Macedonia, Croatia and Moldova.

Over the year, the Bank responded to calls for more creative support for economic transition in the region, increased focus and adoption of programmatic approaches. Highlights include:

- o Targeting local level and small business initiatives;
- o Leveraging EBRD funds with private investment and government technical assistance;
- o Developing local financial infrastructures so that domestic institutions begin to furnish lending and investment to local firms.

### III. U.S. Interests and Policy Objectives

There has been a great deal of change at the EBRD over the past year. Since the arrival of its new President, Jacques de Larosiere, the Bank has conducted a thorough review of operational priorities, adopted a new organizational structure, and has reduced administrative costs. The new policies have already led to a more streamlined, focused institution.

Recent management improvements include:

- o A 1994 hiring freeze and a 9% reduction in budgeted positions;
- o Zero-growth budget for 1994 and 1995;
- o Elimination of first-class travel.

**EBRD operations have had a positive impact on the U.S. economy.** U.S. firms have participated in nearly 25 percent of Board approved projects in the private sector, 12 percent of public sector contracts and earned fees on EBRD financial market activities. The Bank has invested over \$800 million in the U.S. sponsored private sector projects, thus increasing U.S. exports and enabling U.S. firms to reach important new markets.

The EBRD draws upon a pool of contributions from member countries to finance grant **technical cooperation activities** such as project feasibility studies and advisory services. Thus far, U.S. TDA has made over \$1 million available to the EBRD for these purposes. The EBRD administrative budget also finances some technical assistance.

**Eximbank, OPIC, USAID, and the Polish American Enterprise Fund have co-financed over 25 projects with the EBRD.** U.S. consultants have won contracts from both the untied EBRD administrative budget and from the untied Japanese, Taiwanese, Baltic, and United Nations Development Program technical cooperation funds as well as from the funds contributed by the U.S. Trade and Development Agency (TDA).

In addition to traditional debt and equity financing and technical assistance, the EBRD has developed special mechanisms for channeling funds to the enterprise sector through a programmatic approach recommended by the U.S.:

- o **The Polish Private Equity Fund** will provide venture capital and technical assistance to companies privatized in the mass privatization program. The EBRD is working with AID and the Polish American Enterprise Fund to manage the \$75 million fund which will funnel assistance to privatized firms.
- o **The Small and Medium Enterprise Fund (SME)**, initiated by the G-7, facilitates lending and equity placements to small- and micro-businesses. Launched with a \$10 million pilot project in two cities, it has been expanded to a \$55 million fund in five cities. The SME will eventually be increased to \$300 million, with financing available throughout Russia.

- 4 -

- o Similar projects to support small and medium enterprises have been developed for other FSU countries: Belarus, Ukraine, Kazakhstan, and Uzbekistan. For example, by October 1994, a U.S. sponsored investment fund in Ukraine had already disbursed on eight small and medium enterprise investments.
- o The EBRD is working with the G-7 to implement the \$3 billion Special Privatization and Restructuring Program (SPRP) for Russia. To date, the EBRD has approved four regional venture funds (with plans for seven more) which provide equity and technical assistance to newly privatized firms in reformist regions. G-7 donor TA funds leverage \$30 million in EBRD equity for each fund.
- o Local financial institutions are being utilized in many of these projects, such as the SME fund for Russia or to channel a \$120 million SME credit line in Ukraine.

The EBRD also administers the Nuclear Safety Account (NSA), an initiative of the Munich Summit. As of September 1994, donors had committed about \$150 million. The NSA provides grant funds for immediate safety improvements of high-risk reactors and develops plans for early closure of those reactors. The NSA is facilitating closure of reactors at the Kozloduy nuclear station in Bulgaria and at Ignalina in Lithuania. Projects are now being developed in Russia and Ukraine. In this vein, the Bank is playing a lead role in development and implementation of the G-7 Action Plan for Ukraine, which will help facilitate closure of the Chernobyl reactor.

#### **IV. U.S. Financial Commitments**

The Bank has a total capital base of ECU 10 billion (approximately U.S. \$12 billion). The United States has pledged to subscribe to the largest individual share of the capital of the Bank, a 10 percent shareholding. Japan, France, Germany, Italy and the United Kingdom each have an 8.5 percent share. The total U.S. subscription to be made over five years is \$1.2 billion, of which \$350 million will be paid-in and \$817 million callable capital.

The U.S. subscription requires annual appropriations of \$70 million for paid-in capital and a program limitation of \$163.4 million for callable capital. In FY 1991 (P.L. 101-513), this amount was appropriated. In FY 1992 (P.L. 102-266), slightly less than \$69 and \$161 million was appropriated for paid in and callable capital, respectively. In FY 1993 (P.L. 102-391), only \$60 million was allocated for paid-in capital, while \$140 million was provided for callable capital. Arrears to the EBRD totalled \$11 million at the end of FY 1993.

In FY 1994, the Administration requested \$70,020,600 for paid-in capital and \$163,381,400 in program limitation for callable capital for the fourth capital installment. Because Congress made no appropriation, U.S. arrears increased to \$81 million for paid-in capital and \$189 million for callable capital.

In FY 1995, the Congress appropriated \$69,180,353 for paid-in capital and \$161,420,824 in program limitation for callable capital (P.L. 103-306).

In FY 1996, the Administration is requesting \$81,916,447 for paid-in capital and \$191,138,376 in program limitation for callable capital.

U.S. TREASURY DEPARTMENT  
EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT  
(Dollars in Thousands)

Authorization	Total Authorized U.S. Participation	Appropriations	Amount
Public Law 101-513:			
Paid-In Capital.....	350,103	For'n Ass. & Rel'd Prog's Approp's Act 1991, (PL 101-513).....	70,021
Callable Capital.....	815,907	Paid-In Capital.....	183,381 >
		Callable Capital.....	<
		1991 Sequestration (PLs 99-177, 100-119, 101-508).....	(1,330)
		1991 Sequestration Restoration (PL 102-27).....	1,330
		1992 Continuing Resolutions (PLs 102-145, 102-268).....	68,988
		Paid-In Capital.....	160,868 >
		Callable Capital.....	<
		For'n Ass. & Rel'd Prog's Approp's Act 1993, (PL 102-391).....	80,000
		Paid-In Capital.....	140,000 >
		Callable Capital.....	<
		For'n Ops. & Rel'd Prog's Approp's Act 1994, (PL 103-87).....	0
		Paid-In Capital.....	0 >
		Callable Capital.....	<
		For'n Ops. & Rel'd Prog's Approp's Act 1995, (PL 103-306).....	69,180
		Paid-In Capital.....	161,421 >
		Callable Capital.....	<
		1996 REQUEST.....	81,918
		Paid-In Capital.....	191,138 >
		Callable Capital.....	<

## NORTH AMERICAN DEVELOPMENT BANK (NADBANK)

JUSTIFICATION FOR  
FY 1996 APPROPRIATIONS

<b>Budget Authority:</b>	\$56,250,000 paid-in capital
	\$318,750,000 callable capital

The North American Development Bank is being created and governed by the United States and Mexico as part of the North American Free Trade Agreement (NAFTA) to provide \$2-3 billion in financing for high priority environmental infrastructure projects in the border region and, more broadly within the U.S., for NAFTA-related community adjustment and investment. The NADBank's capital shares (\$450 million in paid-in capital and \$2.55 billion in callable capital) will be contributed equally by the United States and Mexico over a four-year period. The FY 1996 tranche of U.S. capital contributions (\$56.25 million in paid-in capital and \$318.75 million in callable capital) is the second tranche of the Bank's initial capitalization. The first tranche of capital was funded in FY 1995 through an advance appropriation as part of the NAFTA Implementation Act.

The NADBank is unique among the international development banks, as it is specifically designed to fund projects that will have either a direct or indirect impact on the U.S. and its citizens. Reflecting this orientation, the NADBank will be located in San Antonio, Texas, with an office for the U.S. community adjustment and investment program in Los Angeles, California.

The primary purpose of the NADBank is to finance environmental infrastructure projects along the U.S.-Mexico border in order to address serious problems -- particularly in the areas of wastewater treatment, drinking water, and municipal solid waste -- that have plagued border communities for decades. The NADBank will only finance those environmental projects that have been certified by the U.S.-Mexican Border Environment Cooperation Commission (BECC), a new institution designed to assist border states and local communities in coordinating border clean-up. Based on its paid-in and callable capital, the NADBank will be able to provide partial guarantees of private sector financing and borrow in capital markets to provide loans to help finance the projects certified by the BECC.

In addition, 10 percent of the U.S. and Mexican shares of NADBank will be available for community adjustment and investment to further the purposes of NAFTA in both countries, which need not be in the border region. The U.S. Government will implement the community adjustment program through existing federal credit programs, such as the Small Business Administration and the Rural Development Administration. An Advisory Committee, which will include low income community representatives and non-governmental organizations, will help ensure broad public participation in the community adjustment window of the NADBank.

U.S. TREASURY DEPARTMENT  
 NORTH AMERICAN DEVELOPMENT BANK  
 (Dollars in Thousands)

Authorization	Total Authorized U.S. Participation	Appropriations	Amount
Public Law 103-182			
Paid-In Capital	225,000	NAFTA Implementation Act (P.L. 103-182)	
Callable Capital	1,275,000	1995 Advance Appropriation:	
		Paid-In Capital.....	56,250
		Callable Capital.....	318,750 >
		1996 REQUEST.....	
		Paid-In Capital.....	56,250
		Callable Capital.....	318,750 >

INTERNATIONAL MONETARY FUND  
ORIGINAL ENHANCED STRUCTURAL ADJUSTMENT FACILITY

JUSTIFICATION FOR  
FY 1996 APPROPRIATIONS

**Budget Authority Request:**

None

The original Enhanced Structural Adjustment Facility (ESAF) was established on December 29, 1987, to enable the International Monetary Fund (IMF) to provide balance of payments assistance on concessional terms to low-income developing countries. Countries that are eligible to borrow from the ESAF Trust have protracted payments problems and are prepared to undertake multi-year economic reform programs. ESAF is an integral part of concerted international efforts to help the poorest countries, particularly those in Sub-Saharan Africa, to implement the structural and economic reforms necessary to create sustainable economic growth and to alleviate pervasive poverty and improve basic human needs. Eligibility was expanded in 1991 to eleven additional countries, making a total of seventy-two countries eligible for ESAF loans.

ESAF programs are developed in close collaboration with the World Bank through the Policy Framework Paper (PFP) process. Under the process, a member develops a medium-term PFP, in cooperation with the Fund and Bank staff, outlining a 3-year adjustment program, including structural measures and delineating in broad terms the expected path of macroeconomic policies. ESAF loans are subject to strict monitoring arrangements. Loans are disbursed over a 3-year period with repayments in 10 equal semiannual installments beginning 5-1/2 years and ending ten years after the date of disbursement. The rate of interest charged on loans from the ESAF is concessional (0.5 percent). Resources committed to the ESAF Loan Account total approximately SDR 5.3 billion (about \$7.4 billion). In addition, SDR 2.2 billion (about \$3.1 billion) have been committed to the ESAF Subsidy Account, which makes up the difference between the concessional interest rate and market interest rates. Major industrial countries and some developing countries provide the resources for the ESAF.

**U.S. Contribution to ESAF**

For FY-1990, the Administration sought budget authorization and appropriation for the full proposed U.S. contribution of \$150 million to ESAF. The appropriation of \$139,389,000 fell short of the request by \$10,602,000. In FY-1991, the Administration sought and Congress appropriated \$10,602,000 in budget authority to complete the U.S. contribution. The U.S. contribution is to be disbursed over a 12-year period, with small but gradually increasing annual outlays.

The Administration requests no budget authority for ESAF I in FY 1996.

**INTERNATIONAL MONETARY FUND  
SUCCESSOR TO THE ENHANCED STRUCTURAL ADJUSTMENT FACILITY**

**JUSTIFICATION FOR  
FY 1996 APPROPRIATIONS**

**Budget Authority Request:**

\$25 million

The original Enhanced Structural Adjustment Facility (ESAF) was established on December 29, 1987, to enable the International Monetary Fund (IMF) to provide balance of payments assistance on concessional terms to low-income developing countries. Countries that are eligible to borrow from the ESAF Trust have protracted payments problems and are prepared to undertake multi-year economic reform programs. ESAF is an integral part of concerted international efforts to help the poorest countries, particularly those in Sub-Saharan Africa, to implement the structural and economic reforms necessary to create sustainable economic growth and to alleviate pervasive poverty and improve basic human needs. Eligibility was expanded in 1991 to eleven additional countries, making a total of seventy-two countries eligible for ESAF loans. Twenty of the 29 countries that have initiated ESAF supported reforms are from Africa.

The Interim Committee endorsed a successor to the original ESAF in April 1993. The Group of Seven (G-7) supported a successor facility at the Tokyo Summit in July 1993. A facility along the lines of the current ESAF was agreed at the September 1993 meeting of the Interim Committee. The Loan Account to the successor consists of about SDR 5.0 billion (about \$7.0 billion) with an additional SDR 1.5 billion (\$2.1 billion) required in bilateral contributions for the Interest Subsidy Account. The U.S. contribution to the facility represents less than 5 percent of the total bilateral contributions to the Interest Subsidy Account (substantially less than the U.S. share in the IMF). The U.S. decision became a catalyst prompting other countries to come forward and make commitments to the successor facility.

**U.S. Contribution to the Successor to ESAF**

In FY-1995, the Administration sought budget authority for the full \$100 million to the successor facility. Congress agreed to \$25 million, making authorization and appropriation of the remaining \$75 million contingent on the Fund's taking steps to provide for greater disclosure and transparency. Although the United States' commitment does not begin to outlay until FY-97, the Administration is requesting a modest appropriation of an additional \$25 million for FY-96 to demonstrate to other contributors our serious commitment to this highly successful facility.

The dollar amount of the U.S. contribution to the successor is one-third less than the U.S. commitment to the original ESAF. It is a payment to the Interest Subsidy Account of the ESAF for the

- 2 -

purpose of financing a concessional interest rate to borrowers. Relative to quotas or GDP, the U.S. contribution is significantly less than contributions from most of the other major industrial countries.

U.S. TREASURY DEPARTMENT  
INTERNATIONAL MONETARY FUND  
ENHANCED STRUCTURAL ADJUSTMENT FACILITY

(Dollars in Thousands)

Authorization	Total Authorized U.S. Participation	Appropriations	Amount
Public Law 101-240: Enhanced Structural Adjustment Facility	150,000	For'n Ass. & Repl'd Prog's Approp's Act 1990, (PL 101-167).....	139,396
		For'n Ass. & Repl'd Prog's Approp's Act 1991, (PL 101-513).....	10,602
		1991 Sequestration (PLs 99-177, 100-119, 101-508).....	-201
	<u>150,000</u>	1991 Sequestration Restoration (PL 102-27).....	<u>201</u>
			<u>150,000</u>
Public Law 103-306: Enhanced Structural Adjustment Facility Replenishment	25,000	For'n Ops. & Repl'd Prog's Approp's Act 1995, (PL 103-306).....	25,000
		1996 REQUEST.....	25,000

**DEBT REDUCTION FOR THE POOREST COUNTRIES****JUSTIFICATION FOR  
FY 1996 APPROPRIATIONS**

**Budget Authority Request:** \$27,000,000 Debt Restructuring

The Administration is seeking \$27 million in appropriations in FY 1996 for reduction of debt owed to the United States Government by the poorest countries, particularly those in Sub-Saharan Africa. This action would be implemented as part of multilateral debt reduction efforts in the Paris Club, where agreement has now been reached on moving to deeper debt reduction.

The United States and other Paris Club creditors have just agreed on terms for providing, on a case-by-case basis, two-thirds debt reduction for heavily indebted poorest countries. The Paris Club has also agreed to reduce the stock of debt, rather than just payments coming due, for countries with a sustained record of economic reform. We anticipate that our request of \$27 million will permit us to join other Paris Club creditors in providing debt reduction to countries expected to come to the Paris Club in FY 1996.

Heavily indebted poorest countries have required repeated reschedulings of their bilateral debt, which they cannot afford to pay on a timely basis. For countries with a fundamental debt solvency (rather than liquidity) problem, such reschedulings merely serve to increase the debt burden over time, through the capitalization of substantial amounts of interest. While many of these countries have adopted significant economic reforms, there is little prospect that they can fully service their current debt obligations in the foreseeable future. Debt reduction will serve to maximize U.S. collections on this debt within their capacity to pay, while also easing a debt burden which serves as a major deterrent to investment and growth.

In FY 1994 the Administration sought, and Congress provided, the necessary legislative and budget authority to allow the United States Government to join other Paris Club creditors in providing debt/debt service reduction on payments coming due for eligible poorest countries. Congressional appropriations were also provided for this program in FY 1995.

U.S. TREASURY DEPARTMENT  
(Dollars in Thousands)

SPECIAL RELIEF FOR THE POOREST COUNTRIES  
(ENHANCED TORONTO TERMS)

DEBT RESTRUCTURING

Authorization	Total Authorized U.S. Participation	Appropriations	Amount
Public Law 103-87	Amounts as shall be appropriated	For'n As. & Rel'd Prog's Approp's Act 1994 (P.L. 103-87).....	7,000
		For'n As. & Rel'd Prog's Approp's Act 1995 (P.L. 103-306).....	7,000
		1998 REQUEST.....	27,000

**DEBT RELIEF FOR ENVIRONMENTAL AND SOCIAL PROGRAMS  
IN LATIN AMERICA****JUSTIFICATION FOR  
FY 1996 APPROPRIATIONS**

**Budget Authority Request:** \$15,000,000 Debt Restructuring

The Administration will propose a buyback and swap program of eligible concessional debt as a pilot program in Latin America and the Caribbean. In light of the Administration's strong interest in supporting environmental and social programs in Latin America and the Caribbean, all debt relief actions will be linked to specific commitments of local currency funding for environmental and social programs, consistent with the framework for local funds provided in existing legislation.

Congress has previously authorized the reduction of concessional debt for Latin America and the Caribbean and appropriated \$90 million in FY 1993 for this purpose. In recognition of current tight budget constraints, however, the Administration intends to modify this program into a buyback and swap program that can be effected at a budget cost of \$15 million in FY 1996, as defined in the Federal Credit Reform Act of 1990.

U.S. TREASURY DEPARTMENT  
 DEBT RELIEF FOR ENVIRONMENTAL AND SOCIAL PROGRAMS IN LATIN AMERICA  
 (Dollars in Thousands)

Authorization	Total Authorized U.S. Participation	Appropriations	Amount
		1998 REQUEST .....	15,000



United States Department of State

# **Foreign Operations**

Fiscal Year 1996

**CONGRESSIONAL BUDGET PRESENTATION**

## CONTENTS

## TABLE OF CONTENTS

	PAGE
<b>INTRODUCTION</b>	1
TABLE: FY 1996 Foreign Operations Budget	2
TABLE: FY 1996 Foreign Operations Assistance Request (By Country)	12
<b>INTERNATIONAL ORGANIZATIONS AND PROGRAMS</b>	20
TABLE: FY 1996 Budget Request: International Organizations & Programs	22
UN Human Rights Center Voluntary Fund for Advisory Services and Technical Cooperation	23
UN Voluntary Fund for Victims of Torture (UNVFVT)	26
OAS Fund for Strengthening Democracy	27
UN Development Program (UNDP)	30
UN Capital Development Fund (UNCDF)	34
UN Development Fund for Women (UNIFEM)	36
UN Children's Fund (UNICEF)	39
UN/FAO World Food Program (WFP)	42
UN Afghanistan Emergency Trust Fund (AETF)	44
International Fund for Agricultural Development (IFAD)	46
UN Fellowship Program (UNFP)	49
International Civil Aviation Organization (ICAO)	51
UN Population Fund (UNFPA)	52
UN Environment Program (UNEP)	54
Multilateral Fund for the Implementation of the Montreal Protocol	57
UN Center for Human Settlements	60
The International Union for the Conservation of Nature (IUCN)	63
International Tropical Timber Organization (ITTO)	66
Convention of International Trade in Endangered Species of Wild Fauna and Flora	69
Convention on Wetlands of International Importance (RAMSAR)	71
UN Framework Convention on Climate Change (UNFCCC)	73
Intergovernmental Panel on Climate Change (IPCC)	75
International Contributions for Scientific, Educational & Cultural Activities	77
World Heritage Fund	82
World Meteorological Organization Voluntary Cooperation Program	84
World Meteorological Organization Special Trust Fund	86
OAS Development Assistance Programs	88
International Atomic Energy Agency (IAEA)	91
Korean Energy Development Organization (KEDO)	98

## CONTENTS

## TABLE OF CONTENTS (CONTINUED)

	PAGE
<b>ECONOMIC SUPPORT FUND</b>	100
TABLE: FY 1996 Economic Support Funds Program Summary	102
<b>ASSISTANCE FOR CENTRAL EUROPE</b>	103
TABLE: Assistance for Central Europe: Program Summary	113
<b>ASSISTANCE FOR THE NIS</b>	114
TABLE: Assistance for the NIS: Program Summary	124
<b>INTERNATIONAL NARCOTICS CONTROL</b>	125
TABLE: International Narcotics Control FY 1996 Budget Request	127
Asia/Africa/Europe Regional Cooperation	129
Interregional Aviation	132
International Organizations	135
Law Enforcement Training, Drug Awareness and Demand Reduction	140
Program Development and Support	145
International Narcotics Control Direct Hire Staffing	147
<b>MIGRATION AND REFUGEE ASSISTANCE</b>	148
FY 1996 MRA Summary Statement	149
TABLE: FY 1996 MRA Summary by Program	153
Overseas Assistance	155
Assistance Programs in Africa	158
Assistance Programs in East Asia	160
Assistance Programs in the Western Hemisphere	162
Assistance Programs in the Near East and North Africa	163
Assistance Programs in South Asia	165
Assistance Programs in Europe	167
Multiregional Activities	169
Refugee Admissions	171
Refugees to Israel	175
Administrative Expenses	176
FY 1996 ERMA Summary Statement	178
<b>ANTI-TERRORISM ASSISTANCE</b>	181
<b>NONPROLIFERATION AND DISARMAMENT FUND</b>	190
<b>INTERNATIONAL MILITARY EDUCATION AND TRAINING (IMET)</b>	193
TABLE: FY 1996 Budget Request: IMET	194
TABLE: Summary of Students Trained Under IMET	198

## CONTENTS

## TABLE OF CONTENTS (CONTINUED)

	PAGE
<b>FOREIGN MILITARY FINANCING</b>	<b>201</b>
TABLE: FY 1996 Budget Request: FMF	203
Defense Administrative Costs	204
<b>PEACEKEEPING OPERATIONS</b>	<b>206</b>
TABLE: Peacekeeping Operations	208
<b>SUB-SAHARAN AFRICA</b>	<b>209</b>
Africa Regional Democracy Fund	212
Africa Regional Peacekeeping	214
Angola	215
Benin	217
Botswana	218
Burundi	219
Cameroon	220
Cape Verde	221
Central African Republic	222
Chad	223
Comoros	224
Congo	225
Cote d'Ivoire	226
Djibouti	227
Eritrea	228
Ethiopia	229
Ghana	230
Guinea	231
Guinea-Bissau	232
Kenya	233
Lesotho	234
Madagascar	235
Malawi	236
Mali	237
Mozambique	238
Namibia	239
Niger	240
Organization of African Unity	241
Sao Tome & Principe	242
Senegal	243
Seychelles	244
Sierra Leone	245
South Africa	246

## CONTENTS

## TABLE OF CONTENTS (CONTINUED)

	PAGE
Swaziland	247
Tanzania	248
Uganda	249
Zambia	250
Zimbabwe	251
<b>EAST ASIA AND THE PACIFIC</b>	<b>252</b>
Asian Regional Democracy & Security Fund	254
Cambodia	256
Indonesia	258
Laos	260
Malaysia	263
Mongolia	264
Papua New Guinea	265
Philippines	266
Singapore	267
Solomon Islands	268
South Korea	269
South Pacific Multilateral Fisheries Treaty	271
Thailand	272
Tongo	275
Vanuatu	276
Western Samoa	277
<b>EUROPE AND THE NEW INDEPENDENT STATES</b>	<b>278</b>
Albania	282
Armenia	284
Austria	287
Azerbaijan	288
Baltic Peacekeeping Battalion	290
Belarus	292
Bosnia-Herzegovina	294
Bulgaria	296
Central European Defense Infrastructure	298
Central Europe Regional Programs	301
Croatia	303
Cyprus	305
Czech Republic	306
Estonia	308
Europe Peacekeeping	310
Finland	312

## CONTENTS

## TABLE OF CONTENTS (CONTINUED)

	PAGE
Georgia	313
Greece	315
Hungary	317
Ireland Fund	319
Kazakhstan	320
Kyrgyzstan	323
Latvia	326
Law and Democracy	328
Lithuania	330
The Former Yugoslav Republic of Macedonia	332
Malta	334
Moldova	335
New Independent States Peacekeeping	338
NIS/East Europe Regional Counternarcotics Cooperation	339
OSCE Peacekeeping	342
Partnership For Peace (PFP)	343
Poland	346
Portugal	348
Romania	349
Russia	351
Slovakia	355
Slovenia	357
Spain	359
South Balkan Development Initiative	360
Tajikistan	362
Turkey	364
Turkmenistan	367
Ukraine	369
Uzbekistan	373
<b>LATIN AMERICA AND THE CARIBBEAN</b>	<b>375</b>
Argentina	377
The Bahamas	378
Belize	381
Bolivia	382
Brazil	386
Caribbean Regional Peacekeeping Fund	389
Chile	391
Colombia	392
Costa Rica	397
Dominican Republic	398

## CONTENTS

## TABLE OF CONTENTS (CONTINUED)

	PAGE
Eastern Caribbean	399
Ecuador	400
El Salvador	404
Guatemala	405
Guyana	409
Haiti	410
Honduras	412
Jamaica	413
Latin America Regional Counternarcotics Cooperation	417
Latin America and the Caribbean Regional Democracy Fund	421
Mexico	423
Nicaragua	424
Paraguay	425
Panama Canal Area Military School Program	426
Peru	427
Suriname	432
Trinidad and Tobago	433
Uruguay	434
Venezuela	435
<b>THE NEAR EAST</b>	<b>439</b>
Algeria	442
Bahrain	443
Egypt	444
Israel	446
Jordan	448
Lebanon	450
Middle East Multilateral Working Groups	450
Middle East Regional Cooperation	454
Morocco	455
Multinational Force and Observers	456
Oman	457
Tunisia	458
West Bank and Gaza	459
<b>South Asia</b>	<b>461</b>
Bangladesh	462
India	463
Maldives	465
Nepal	466
Pakistan	467
Sri Lanka	470

## CONTENTS

## TABLE OF CONTENTS (CONTINUED)

	PAGE
<b>GLOBAL PROGRAMS</b>	<b>471</b>
Administration of Justice/ICITAP	471
Demining	473
Law Enforcement Affairs	475
Sanctions Assistance Monitoring	479
<b>OTHER SUPPORTING INFORMATION</b>	<b>480</b>
Arms Control Considerations	480
Estimating Foreign Military Sales	482
Table: FMS and Construction Sales Agreements	483
Foreign Military Sales Administrative Costs	486
Commercial Exports Licensed or Approved Under the Arms Export Control Act	488
Overseas Military Program Management	493
Table: Overseas Military Program Management	495
Excess Defense Articles (EDA)	500
Table: EDA Sold Under FMS	501
Table: EDA Grant Transferred Under the Provisions of the Foreign Assistance Act	502
Leased Defense Articles	503
Table: Leases Under the Arms Export Control Act	504
Stockpiling of Defense Articles for Foreign Countries	505
Table: Value of Annual Ceilings for Stockpiling	506
Countries and International Organizations Eligible for Purchasing Defense Articles and Services	507
Tables: Funding	512
Tables: Legislative History of Authorizations & Appropriations	520
Table: FY 1996 U.S. Economic & Military Assistance - Request	531

*INTRODUCTION***INTRODUCTION**

The imperative of American engagement and leadership in the world is a central lesson of this century. American engagement and leadership are just as important today because we confront an interdependent world in which the line between our concerns at home and our interests abroad is increasingly blurred. The prosperity of our entrepreneurs, workers and farmers relies on their ability to gain access and compete in the global marketplace. The security of every American will be directly affected by the success or failure of democratic reform in the former Soviet empire. The safety of future generations depends on keeping weapons of mass destruction from falling into the wrong hands.

The critical test of our leadership is our willingness to dedicate the resources necessary to protect the security and prosperity of our people. Our budget request demonstrates our determination to shape a world conducive to American interests and consistent with our core values – a world of open societies and open markets. The programs in this request represent only a tiny fraction of federal spending. Yet the benefits they provide in making the American people more secure and prosperous are enormous. The funding provided by this budget supports the additional jobs created by exports, the greater security guaranteed through our alliances and our nonproliferation efforts, cleaner air and water, and less crime in our streets. The investment of resources made through this budget will advance our nation's most fundamental interests now and in the future.

This Congressional Presentation sets forth the Administration's request for FY 1996 foreign operations programs which are administered by the Department of State or for which the State Department provides policy guidance. For those programs which are implemented by the U.S. Agency for International Development (USAID), additional programmatic detail can be found in the USAID Congressional Presentation. Program descriptions and supporting information for the following programs are included in this volume:

- International Organizations and Programs
- Economic Support Funds
- Assistance for Central Europe
- Assistance for the New Independent States
- International Narcotics Control
- Migration and Refugee Assistance
- Emergency Migration and Refugee Assistance
- Antiterrorism Assistance
- Nonproliferation and Disarmament Fund
- International Military Education and Training
- Foreign Military Financing
- Voluntary Peacekeeping

## INTRODUCTION

## FY 1996 FOREIGN OPERATIONS BUDGET

(DOLLARS IN THOUSANDS)

ACCOUNT	FY 1994 ACTUAL	FY 1995 ESTIMATE	FY 1996 REQUEST
International Organizations and Programs	362,628	374,000	425,000
Assistance for the New Independent States	1,153,885	719,400	788,000
Assistance for Eastern Europe & the Baltics	383,000	359,000	480,000
Peacekeeping Operations (PKO)	82,435	75,000	100,000
Supplemental - Haiti costs	0	27,200	0
Economic Support Fund (ESF)	2,107,403	2,368,600	2,494,300
Supplemental - Haiti costs	0	82,300	0
Nonproliferation and Disarmament Fund	10,000	10,000	25,000
International Military Education & Training	22,250	25,500	39,781
Foreign Military Financing (FMF) - Grant	3,055,832	3,151,279	3,262,020
Foreign Military Financing (FMF) - Loan	38,118	47,917	89,888
Migration and Refugee Assistance (MRA)	670,728	671,000	671,000
Emergency Migration and Refugee Assistance (ERMA)	79,261	50,000	50,000
Anti-Terrorism Assistance	15,244	15,244	15,000
International Narcotics Control	101,000	105,000	213,000

While this volume is organized by appropriation accounts, the programs set forth herein were developed within the framework of our critical foreign policy objectives as described in the companion volume *International Affairs Budget Request Fiscal Year 1996*. That volume provides an overview of the entire International Affairs budget request and the foreign policy objectives which they serve.

## BUILDING DEMOCRACY

The Cold War, which brought security at a great price, has now been replaced by the struggle to create and strengthen democratic institutions of government and market economies in key regions of the world. We are dedicated to building a new international system with democracy as its foundation. The United States will clearly benefit from the consolidation of democracy as free societies, accountable governments and open markets emerge around the world. These benefits will include the diminished threat of war, dramatic expansion of economic opportunities and cooperation on a range of global and regional issues of direct concern to the American people.

The FY 1996 request for Foreign Operations includes funds to encourage continued democratic reform in the New Independent States (NIS) of the former Soviet Union, under the FREEDOM Support Act (\$788 million); in the nations of Central and Eastern Europe, under the Support for Eastern European Democracy (SEED) Act (\$480 million); and in other Countries in Transition through the use of Economic Support Funds (ESF) (\$210.5 million); as well as certain other small programs.

## INTRODUCTION

### New Independent States

The New Independent States are undergoing profound changes as they develop new institutions of statehood while concurrently transforming their economies and political systems. The U.S. objective in supporting democratic reform in the NIS is clear: to achieve enduring, normal, and productive bilateral relations with each state by strengthening democratic institutions, and to encourage their effective integration into the global economy.

In FY 1996 we must continue to support reform in the NIS countries that have already made strong commitments to and progress toward economic and political restructuring. Moreover, we must provide enhanced support and encouragement to those countries on the verge of substantial reform -- Ukraine, Armenia, Georgia and Belarus.

Each nation of the region is struggling to dismantle the principal legacy of Communism -- its system of political and economic centralization. The NIS lack many of the institutions essential for a market economy and democratic politics. However, previous levels of capital investment in people, durable goods for productive sectors, and physical infrastructure have created the basis for significant growth, especially as organizational, legal, and regulatory infrastructure become available to foster its efficient use. Funds in the amount of \$788 million are requested for the FY 1996 NIS program.

### Central Europe

Democratic reform in Central Europe (CE) is as important to U.S. interests now as when the SEED Act was passed in 1989. The process of political and economic transformation in the region is jeopardized today by conflict in the Balkans, crime, ethnic tensions, unemployment and other social dislocations. The fate of the region has in a sense become even more critical to the United States, as these countries become examples, particularly for reformers further east, that democracy and economic prosperity can be built from the ruins of Communism.

After severe economic contraction, most CE economies are now beginning to experience growth. However, only cautious optimism is in order. A great deal must still be done to further privatize and restructure the old State-owned industries and several countries that face renewed macroeconomic imbalances. High unemployment is a serious problem throughout the region and significant segments of the populations have grown weary of the transition process or have yet to experience its benefits.

Democratic institutions in Central Europe have been established, but they remain fragile. Credible and transparent elections have been held, but power is fragmented among so many parties in some countries that governing coalitions are unstable. CE countries continue to struggle with fundamental issues -- the proper role of the government vis-à-vis the private sector, freedom of the judiciary and the broadcast media, and minority rights. Participatory structures for local government are still rudimentary. Central European governments also face pressing social issues, such as those related to housing, health and humanitarian assistance. There is an urgent need for social sector restructuring throughout the region in order to solidify popular support for continued reform and reduce heavy burdens on weak budgets.

The SEED program remains transitional in nature, though its "sunset" will be ultimately determined by the progress achieved in each country of the region. The program is reducing

## *INTRODUCTION*

assistance in some countries of the Northern Tier. This will allow a gradual shift in U.S. assistance resources to those in the Southern Tier, which have further to go in their transitions. Still other countries, notably Albania and parts of the former Yugoslavia, whose state of development is quite different from those covered in the original SEED Act, will need assistance for many years to come. The shift of resources from north to south will be carefully monitored to assure that programs are not withdrawn from countries before democracy and market economies are firmly established.

For FY 1996, \$480 million is requested for SEED funds to advance these objectives. Approximately \$239 million will support the region's economic reform processes. The SEED program will continue to promote adoption of market-oriented policy frameworks. Continued emphasis will also be placed on small business development to spur job creation and broad-based economic growth. Additional assistance will be provided to restructure the financial sectors of the CE countries, and to establish the legal, regulatory and institutional frameworks conducive to private investment.

Included in the proposed SEED economic reform program request is \$30 million to facilitate economic reconstruction, encourage regional integration, and promote cooperation in the volatile Southern Balkan region. U.S. assistance will stimulate and support much larger international and International Financial Institution (IFI) funding for the upgrading or completion of weak transportation and trade links between Albania and the Former Yugoslav Republic of Macedonia (FYROM), and between the FYROM and Bulgaria. The resulting initiative will permit a much larger volume of trade to flow through alternative routes around Serbia-Montenegro, and boost intra-regional commerce, cooperation and stability. Most of the countries of south-central Europe would benefit from enhanced trade routes. U.S. assistance will be coordinated with other donors in implementing this new program.

In FY 1996, approximately \$73 million will support the region's continued democratic development. Programs will focus on building stronger political parties and institutions and provide training in coalition-building. The program will work through USIA to develop a strategic approach to strengthening key training institutions that support democracy and markets. In the field of public administration, the program will help build democratically-oriented public administration at the central and local levels. Approximately \$101 million will be devoted to programs in the areas of environment, health, housing and entitlement reform. Much greater attention will be given in the coming years to support CE countries through this critical phase of social sector reform.

Finally, if conditions permit, reconstruction will be required throughout Bosnia. The FY 1996 budget request therefore includes approximately \$60 million to support this effort, and this will leverage additional resources from other international donors. Activities will include major infrastructure repair, a microenterprise lending program, programs to stimulate economic activity combined with reform of financial structures and assistance to the Bosnian Federation government in public administration.

### **Other Countries in Transition**

The FY 1996 request of \$210.5 million will support programs which reflect the multifaceted nature of democratic development in a small number of Other Countries in Transition (CIT). Programs proposed under this category will help strengthen and consolidate democratic

## INTRODUCTION

processes and institutions in countries that have recently embarked on a democratic course, or where democracy is critically threatened. Assistance to Other Countries in Transition may take the form of direct support for the democratic process (e.g. institution building, electoral support, judicial training), but may also include fast disbursing financial support and programs to support privatization and the economic growth necessary to sustain democratic gains.

**Latin America and the Caribbean:** In FY 1996, U.S. CIT assistance to Latin America and the Caribbean will focus on those nations where it is critical to the consolidation of democracy, supportive of human rights, and promotes economic reform and broad-based, sustainable economic growth. In many nations of the region, endemic corruption severely undermines democratic institutions. Governance and Administration of Justice programs will provide technical assistance, training and basic equipment to help strengthen these critical pillars of a democratic society.

**Africa:** This new era provides a unique opportunity to re-orient U.S. policy objectives in Africa to meet a host of global challenges. This includes providing strong and visible encouragement for the movement to freedom and free markets in Africa. The continent's recent democratic gains must be reinforced by sustainable economic growth, and the peace and stability that democracy brings can lead to desperately needed private investment. Promoting government accountability, human rights and the rule of law, and building more skilled workforces will help empower Africans to play a greater role in the global economy. Given the pervasive poverty and tremendous challenges Africa faces, continued economic assistance will be necessary to achieve economic recovery. Africa is a region where our core values are at the forefront of the U.S. policy agenda. While the bulk of U.S. assistance to Africa is provided through use of "non-democracy" funds, CIT programs can have a tremendous multiplier effect in promoting democratic progress and growth in the region.

**East Asia and the Pacific:** The East Asian and Pacific region includes both new democracies, such as Cambodia, and countries under authoritarian rule, such as Burma and China. The process of consolidating democracy is complex, and in FY 1996 U.S. assistance in the region will help to strengthen institutions of representative government, enhance democratic civil-military relations, and promote vibrant civil societies.

As a Country in Transition, Cambodia merits the continued support of the international community. The proposed FY 1996 program of \$39.5 million will support implementation of transparent and credible legal, regulatory, and judicial reforms. Cambodia's fledgling National Assembly also needs administrative and technical assistance, and its civil society requires strengthening to ensure that democratic culture develops alongside democratic institutions. And the country's democracy cannot thrive without broad-based economic growth. FY 1996 programs will support the establishment of a market oriented policy framework, improvement in policy formulation and implementation in key economic ministries. U.S. programs will also seek to involve the country's rural communities in the national shift to market economics and democratic governance by rehabilitating important road links.

## INTRODUCTION

### Multilateral Democracy Programs

The FY 1996 request of \$4.6 million\* will enable the U.S. to maintain its leadership in encouraging the international community to address problems in democratic development and human rights protection. The FY 1996 program includes support for the UN Voluntary Fund for Advisory Services and Technical Cooperation, the UN Voluntary Fund for the Victims of Torture, and the OAS Fund for the Strengthening of Democracy.

### PROVIDING HUMANITARIAN ASSISTANCE

Assisting developing countries to meet urgent humanitarian needs created by disasters, food shortages, and refugee problems is a key objective of American foreign policy. Humanitarian crises threaten political stability and undermine progress toward sustainable development in impacted countries. These crises can likewise produce widespread disruptive regional effects. Responding to such crises with humanitarian assistance helps minimize attendant suffering and loss of life and mitigates their impact on affected populations.

Equally important, U.S. assistance acts as a catalyst to mobilize resources in the broader international donor community and to influence the responses of international donor organizations, including private and voluntary organizations, to acute humanitarian crises. Moreover, humanitarian assistance gives expression to the fundamental compassion and generosity of the American people and their interest in alleviating human suffering, wherever it occurs. There has been an unprecedented surge in the demands for humanitarian assistance to those fleeing civil unrest, political oppression, extreme physical hardship, and the horrors of genocide. Particularly when high-profile images of human suffering are brought into our homes through electronic journalism, it is the nature of the American public not to turn away from those in need.

### Migration and Refugee Assistance (MRA) and Emergency Refugee and Migration Assistance Fund (ERMA)

Refugee crises worldwide are of intense humanitarian concern. The U.S. national interest is best served by multilateral efforts aimed at mobilizing resources for humanitarian assistance and the political resolution of refugee crises in ways that lead to increased stability. Resolutions of such crises are necessary if sustainable development and democratic institutions are to prosper. There are currently nearly 20 million refugees worldwide—a 30 percent increase since 1989. In addition there are many more displaced persons who are of concern to the United Nations High Commissioner for Refugees (UNHCR) and the International Committee of the Red Cross (ICRC). Since the end of World War II, the United States has been a leader in refugee and migration affairs. The State Department's Bureau of Population, Refugees, and Migration (PRM), successor to the Bureau of Refugee Programs, manages the refugee and migration program. We have used this leadership position to leverage greater support from other donors and to assert our influence in international policymaking bodies and among private and voluntary organizations (PVO). Securing U.S. diplomatic and political

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\* Funds requested under International Organizations and Programs (IO&P) budget request

## INTRODUCTION

objectives requires that we maintain the relative priority of international humanitarian assistance within the International Affairs Budget.

The international donor community is under increasing pressure to provide life sustaining aid to the growing number of refugees and conflict victims worldwide. The magnitude of requirements related to continuing crises in the former Yugoslavia and the Horn of Africa, coupled with new emergencies such as Rwanda, must be addressed while we continue to support the ongoing humanitarian assistance programs of the international relief agencies. Reductions in the level of U.S. contributions in support of these organizations could risk an increase in human suffering, greater regional instability, and an erosion of the stature of the United States as a leader in refugee and migration affairs.

In addition to refugees, an estimated 100 million people live outside their country of origin. Pressures including high population growth rates, rising unemployment, and income disparities have brought about increasing migration flows. The United States seeks to encourage the creation of legal migration channels and the rapid integration of legal immigrants into host countries' societies and to discourage uncontrolled immigration and alien smuggling.

The Migration and Refugee Assistance account includes four major elements: overseas assistance, primarily through international organizations; refugee admissions into the United States; support for refugee resettlement in Israel; and the PRM Bureau's administrative expenses. The fourth element reappears in FY 1996. For fiscal years 1994 and 1995, the Congress required the funding of the Bureau's administrative expenses under the State Department's Diplomatic and Consular Programs account.

The Emergency Refugee and Migration Assistance Fund (ERMA) is a no-year appropriation, drawn upon by the President to meet "unexpected urgent refugee and migration needs" whenever the President determines that it is "important to the national interest" to do so. The Migration and Refugee Assistance Act of 1962, as amended, provides permanent authorization for the account of up to \$100 million.

## PROMOTING PEACE

Although the Cold war is over, today's uncertain environment still presents a variety of threats to our security including:

- Efforts by rogue regimes to build or acquire weapons of mass destruction.
- Attempts by regional powers hostile to U.S. interests to dominate their respective regions through aggression intimidation or terror.
- Internal conflicts among ethnic, national; religious or tribal groups that undermine regional stability, impede democratic reform and stifle economic growth.
- Transnational criminal enterprises which thrive where national governments are either weak or complicit.

American military power serves as the principal means by which we protect our interests against these threats. At the same time, however, in order to avoid the costs of armed conflict

## *INTRODUCTION*

and preserve international peace and stability, we seek to prevent conflict through diplomacy, peacekeeping and the strengthening of our alliances and coalition partners.

The Administration's proposed budget for our programs designed for the pursuit of peace and stability totals \$6.6 billion. Our bilateral programs to promote regional peace and security, including economic support and military financing assistance and training, are \$5.7 billion of this total. Peacekeeping, assessed and voluntary, represents \$545 million. Nonproliferation and disarmament activities are \$90 million, and activities to combat narcotics, crime, and terrorism total \$240 million.

### **Regional Peace and Security**

The Administration requests a total of \$5.564 billion for programs designed to promote regional peace and stability, including economic and military assistance and defense training activities. The greater part of this budget proposal—\$5.2 billion—is intended to sustain and accelerate the Middle East peace process. It includes economic and military support for the Camp David countries, the Israeli-Palestinian accord, and modest support for other regional players and for regional programs. \$39.8 million is proposed for the International Military Education and Training program, which emphasizes professional military education and technical training, as well as affording present and future military and civilian leaders an appreciation of democratic values, respect for human rights, and a proper role for the military in a democratic society. Approximately \$310 million is proposed for Europe, including the Partnership for Peace and other security assistance for Central Europe, and assistance programs for Greece, Turkey, Cyprus and Ireland. \$14 million is intended to continue to ensure U.S. access to Pacific fisheries under the South Pacific Tuna Treaty, and \$10 million to continue our assistance to demining activities in a dozen countries.

### **Middle East Peace**

Advances toward a comprehensive peace in the Middle East demonstrate the value of prudent and steadfast efforts to resolve regional conflicts. The Arab-Israeli conflict has continued too long, and the toll in human and economic terms has been great. In the past year, we have witnessed a profound transformation in the landscape of the Arab-Israeli conflict that would have been unimaginable only a few years ago. Recent gains must be secured by continued United States commitment and support for the peace process. This budget therefore includes traditional amounts of economic and military support for Israel, Egypt, and other countries which are important to the peace process — notably Jordan — to meet the legitimate security needs of these countries and to promote continued economic reform and broad-based economic growth. The commitment of this Administration to Israel's security is strong and unshakable. Our assistance is intended to strengthen a free and democratic Israel as well as to facilitate a negotiated peace and stability in the region. Our assistance to Egypt reinforces its moderating influence in the region and helps it play a critical role in the negotiation process, while our assistance to Jordan is based on a recognition of Jordan's vital role in advancing regional peace since signing a peace treaty with Israel in October 1994.

Our \$75 million request for the West Bank and Gaza is intended to continue to promote Palestinian self-government through economic development and institution building. Our assistance for this process, along with that of the other donors, is essential for the formation of

## *INTRODUCTION*

the political, economic, and institutional infrastructure necessary for self-government and economic viability.

### **Europe and the NIS**

Regional security issues survive and in some respects have been heightened by the end of the Cold War. Regional and ethnic conflict in the former Soviet Union and Central Europe are serious threats to global security and stability. The United States must continue to exercise leadership in this area, to include modifying and developing cooperative mechanisms to address the threats we face in the post-Cold War era. In particular, we must take concrete steps to build a new European security architecture that preserves and builds on NATO's vital role. Deep political, military, economic and cultural links make Europe's security and prosperity vital to our own. We need to maintain strong relations with Western Europe, while helping to consolidate the new democracies of Central Europe and the New Independent States of the former Soviet Union.

NATO remains the anchor of American engagement in Europe and the linchpin of transatlantic security. NATO has always been more than a transitory response to a temporary threat. It has been a guarantor of European democracy and a force for European stability. That is why its mission has endured, and why its attraction is strong to Europe's new democracies. In earlier years, NATO welcomed new members who could contribute to its strength. Today, the alliance would welcome expansion to the East. Under American leadership the alliance agreed in December, 1994 to begin a steady and deliberate process that will lead to its further expansion.

The Administration therefore includes \$60 million in military assistance for partner countries under the Partnership for Peace program, designed to begin the process of integrating these nations into the western alliance. In addition to these funds, the Department of Defense budget request contains \$40 million for Partnership for Peace activities more appropriately conducted under DoD authorities. Collectively, this \$100 million comprises the President's Warsaw Initiative, designed to support the Partnership for Peace.

In addition to the Partnership for Peace program, \$25 million is proposed for Central European defense infrastructure, peacekeeping, and related programs. These funds will continue the process of equipping and training the Baltic Peacekeeping Battalion, and will support the reorientation of Central European militaries to defensive postures, regional cooperation based on uniform standards of equipment, and expanded military cooperation with U.S. and NATO forces both bilaterally and through the Partnership for Peace.

### **International Military Education and Training**

The International Military Education and Training (IMET) program, providing military education and training on a grant basis to students from allied and friendly nations, is an extremely cost effective component of U.S. foreign policy. It offers foreign military students an opportunity to establish and improve self-sufficiency in their military forces, enhances military professionalism, strengthens their own training capabilities, and provides for U.S. access and influence in a sector of society which often plays a critical role in the transition to democracy. Expanded in scope, IMET shares with foreign students defense management concepts and American values, i.e., democracy, respect for human rights, military justice, and

## *INTRODUCTION*

an understanding of the principle of civilian control of the military. In addition to training Defense Ministry personnel, expanded IMET provides training for foreign officials from ministries other than Defense, members of national legislatures responsible for oversight and management of the military, and NGO personnel.

### **Peacekeeping**

Well-planned peacekeeping operations are a useful and cost effective option for dealing with some conflicts and humanitarian crises. Peacekeeping clearly is not a substitute for a strong national defense and vigorous alliances; but it has a demonstrated capacity, under appropriate circumstances, to separate adversaries, maintain cease-fires, facilitate delivery of humanitarian relief, allow repatriation of refugees and displaced persons, demobilize combatants and create conditions under which political reconciliation may occur and democratic elections may be held. Thus it can reduce the likelihood of interventions by regional powers, prevent small conflicts from proliferating, facilitate the birth and growth of new market economies, contain the cost of humanitarian emergencies, and limit refugee flows.

The United States, as a global power, always has the option of acting unilaterally to pursue and protect its interests, and when the stakes warrant, we will do so independently or through a coalition or alliance. More often, however, we will wish to intervene without bearing all or most of the costs, or making a substantial deployment of our military forces. Multilateral peacekeeping provides such an alternative. It complements, without detracting from, unilateral and coalition options. In so doing, it provides a means of ensuring that the burden and cost of maintaining world order does not fall disproportionately on the United States.

### **Voluntary Peacekeeping Activities**

While the bulk of funding for multilateral peacekeeping operations goes to the United Nations and falls outside the scope of this budget presentation, it is sometimes in the United States interest to support, on a voluntary basis, peacekeeping activities that are not UN mandated and/or are not funded by UN assessments. In such a way, we can help support regional peacekeeping operations for which neighboring countries take primary responsibility, as in Liberia, or peacekeeping operations or observer missions where we and a few other parties have a particular interest, as in the Sinai or the former Soviet Union. The FY 1996 budget requests \$100 million in funds for voluntary contributions to peacekeeping operations.

### **Nonproliferation and Disarmament**

The United States is guided by the principle that arms control and prevention of the proliferation of weapons of mass destruction are critical to the national security. Following the demise of the Soviet Union, in fact, proliferation of such weapons poses the principal direct threat to the survival of the United States.

The objectives of our nonproliferation programs are to reduce the risk of war by limiting and reducing destabilizing forces, inhibiting the spread of weapons of mass destruction and delivery systems, and building confidence through measures which enhance transparency. In addition to enhancing our security directly, these measures also support other important American interests, including economic and political reform in Russia and the other newly independent

*INTRODUCTION*

states, our economic interests in Asia and the Pacific, and our broader political efforts to resolve long-standing disputes in the Middle East and South Asia.

The most dramatic example of the importance of our nonproliferation efforts in recent times is that of the North Korean nuclear program, which in 1994 was poised to produce hundreds of kilograms of plutonium that could be used in nuclear weapons. The stage was set for a crisis that would imperil security throughout Northeast Asia, and undermine our global nonproliferation effort. Since then, we have concluded an Agreed Framework which freezes this program and provides for its dismantlement.

**International Narcotics and Law Enforcement**

International narcotics trafficking and organized crime constitute one of the most persistent and serious challenges to our foreign and domestic interests in the post Cold War era. Global narcotics trafficking generates an enormously disruptive illicit economy of hundreds of billions of dollars annually, spawns widespread corruption and intimidation, and condemns countless drug users to a painful, sick, dangerous, and unproductive existence. It saps the strength of industrialized societies, and threatens the very survival of emerging democracies. Driven by both supply and demand forces, the threat must be fought through an integrated global response of enforcement, public awareness/demand reduction, and economic support initiatives.

The end of the Cold War also leaves American interests increasingly threatened by new as well as traditional organized crime forces. Rich, violent, and predatory international crime organizations are quick to exploit political, economic, and social vacuums in countries in transition. As we witness in the former Soviet Republics, old criminal networks are becoming more powerful and new groups emerge faster than authorities can keep pace. Such groups threaten the consolidation of democracy in Central Europe, the NIS, Africa and Asia.

The Administration's budget proposes \$213 million to fund international counternarcotics activities, and \$12 million for international criminal justice programs.

**Anti-Terrorism Assistance**

Neither has the end of the Cold War brought a respite from terrorism. The social and economic disruptions following the wrenching changes of the past several years have in fact spawned new types of terrorist groups. While radical leftist terrorism has generally been discredited, the social, political, and economic dislocations they exploited remain or have increased. Terrorism based on religious or ethnic ideals has increased, while state support for terrorism, as in Iran, persists. The World Trade Center bombing is a vivid reminder that the United States is also vulnerable to terrorism.

The Administration's budget proposes \$15 million for anti-terrorism activities. This program provides training and equipment to foreign police and security officials to enhance cooperation and strengthen the local government's anti-terrorism capabilities. The ultimate objective of the program is to strengthen our ability to work closely with foreign governments as might be necessary to respond to specific terrorist threats and crisis management needs, to protect the lives and safety of Americans abroad, and to assist U.S. carriers operating internationally with airport and aircraft security. While training is the primary ATA activity, up to 25 percent of the budget may be programmed for equipment, primarily in the field of aviation security.

## INTRODUCTION

## FY 1996 FOREIGN OPERATIONS ASSISTANCE REQUEST

(\$ thousands)

	Counter- Narcotics	NIS	Central Europe	ESF	FMF	IMET
<b>SUB-SAHARAN AFRICA:</b>						
Angola				10,000		
Benin						150
Botswana						475
Burkina Faso						
Burundi						125
Cameroon						100
Cape Verde						100
Central African Republic						125
Chad						100
Comoros						75
Congo						165
Cote d'Ivoire						160
Djibouti						150
Equatorial Guinea						
Eritrea						250
Ethiopia						300
Gabon						
Gambia						
Ghana						250
Guinea						175
Guinea-Bissau						100
Kenya						350
Lesotho						75
Madagascar						100
Malawi						250
Mali						150
Mauritania						
Mauritius						
Mozambique						125

## INTRODUCTION

## FY 1996 FOREIGN OPERATIONS ASSISTANCE REQUEST

(\$ thousands)

	Counter-Narcotics		Central Europe		ESF	FMF	IMET
	NIS		NIS				
Namibia							250
Niger							300
Nigeria							
Rwanda							
Sao Tome & Principe							75
Senegal							600
Seychelles							60
Sierra Leone							120
Somalia							
South Africa							500
Swaziland							80
Tanzania							175
Togo							
Uganda							200
Zambia							150
Zimbabwe							250
Africa Regional					14,350		
Horn of Africa							
Southern Africa Reg./ISADCC							
REDSO/E							
REDSO/W							
<b>Total, Africa</b>					<b>24,350</b>		<b>6,610</b>
<b>East Asia and the Pacific:</b>							
China							
Cambodia							
Fiji Islands & Tuvalu					39,520	3,000	300
Indonesia							
Kiribati							600

## INTRODUCTION

## FY 1996 FOREIGN OPERATIONS ASSISTANCE REQUEST

	(\$ thousands)					
	Counter-Narcotics	NIS	Central Europe	ESF	FMF	IMET
Laos	2,000					
Malaysia						600
Marshall Islands						
Mongolia			10,000			100
Micronesia & Palau						175
Papua New Guinea						1,400
Philippines						20
Singapore						125
Solomon Islands						10
South Korea						
South Pacific			14,000			
Thailand	1,500					1,600
Tonga						200
Vanuatu						95
Western Samoa						50
Asia Regional	1,500			8,810		
<b>Total, East Asia &amp; Pacific</b>	<b>5,000</b>		<b>72,330</b>	<b>3,000</b>		<b>5,275</b>
<b>Europe and the NIS:</b>						
Albania			31,000			400
Armenia		30,000				
Austria						15
Azerbaijan		9,000				
Baltics					5,000	
Belarus		19,000				275
Bosnia & Herzegovina			80,640			200
Bulgaria			42,030			700
CE Defense Infrastructure					20,000	
Croatia			13,210			200

## INTRODUCTION

## FY 1996 FOREIGN OPERATIONS ASSISTANCE REQUEST

(\$ thousands)

	Counter- Narcotics	NIS	Central Europe	ESF	FMF	IMET
Cyprus				15,000		700
Czech Republic			7,460			385
Estonia						15
Finland						250
Georgia		21,000				50
Greece (grants)						
Greece (loan)				[315,000]		
Hungary			27,400			950
Ireland Fund				29,600		
Kazakhstan		62,000				375
Kyrgyzstan		17,000				225
Latvia			7,450			385
Lithuania			12,689			385
Macedonia			16,724			250
Malta						75
Moldova		30,000				225
Partnership for Peace					60,000	
Poland			65,425			950
Portugal						800
Romania			46,046			700
Russia		260,000				1,076
Slovakia			32,465			525
Slovenia			4,295			300
Spain						50
Tajikistan		7,000				
Turkey (grants)	400			100,000		1,000
Turkey (loan)					[450,000]	
Turkmenistan		4,000				225
Ukraine		159,000				950
Uzbekistan		11,000				225

## INTRODUCTION

## FY 1996 FOREIGN OPERATIONS ASSISTANCE REQUEST

(\$ thousands)

	Counter- Narcotics	NIS	Central Europe	ESF	FMF	IMET
Eastern Europe Regional			93,166			
N.I.S. Regional		159,000				
N.I.S./East Europe	4,000					
<b>Total, Europe &amp; the NIS</b>	<b>4,400</b>	<b>788,000</b>	<b>480,000</b>	<b>144,600</b>	<b>85,000</b>	<b>12,880</b>
<b>Latin America &amp; the Caribbean:</b>						
Argentina						300
Bahamas						100
Belize	700					250
Bolivia	60,000					500
Brazil	1,000					200
Chile						300
Colombia	35,000					900
Costa Rica						150
Dominican Republic						500
Eastern Caribbean						300
Ecuador	850					400
El Salvador						450
Guatemala	2,550					250
Guyana						150
Haiti						400
Honduras				90,270	7,000	400
Jamaica	1,000					400
Mexico						450
Nicaragua						1,000
PACAMS						200
Panama						600
Paraguay						150
Peru	42,000					500

## INTRODUCTION

## FY 1996 FOREIGN OPERATIONS ASSISTANCE REQUEST

(\$ thousands)

	Counter-		Central		ESF	FMF	IMET
	Narcotics	NIS	Europe	Europe			
Suriname							50
Trinidad & Tobago							50
Uruguay							250
Venezuela	500						300
Caribbean Peacekeeping					3,000		
ROCAP							
LAC Regional	7,000				27,550		
<b>Total, Latin America &amp; Caribbean</b>	<b>150,600</b>				<b>117,820</b>	<b>10,000</b>	<b>9,100</b>
<b>Near East:</b>							
Algeria							75
Bahrain							100
Egypt					815,000	1,300,000	1,000
Israel					1,200,000	1,800,000	
Jordan					7,200	30,000	1,200
Lebanon					4,000		475
ME Multilaterals					5,000		
ME Regional (MERC)					7,000		
Morocco							800
Oman							110
Tunisia							800
West Bank - Gaza					75,000		
Yemen							
<b>Total, Near East</b>					<b>2,113,200</b>	<b>3,130,000</b>	<b>4,560</b>
<b>South Asia:</b>							
Bangladesh							258
India							364

## INTRODUCTION

## FY 1996 FOREIGN OPERATIONS ASSISTANCE REQUEST

(\$ thousands)

	Counter-Narcotics	Central Europe		ESF	FMF	IMET
		NIS	Europe			
Maldives						80
Nepal						138
Pakistan	2,500					
Sri Lanka						175
<b>Total, South Asia</b>	<b>2,500</b>					<b>1,015</b>

<b>TOTAL, COUNTRY REQUESTS</b>	<b>162,500</b>	<b>788,000</b>	<b>480,000</b>	<b>2,472,300</b>	<b>3,228,000</b>	<b>39,420</b>
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## Central Programs

## USAID Programs:

- Global Programs, Field Support
- Humanitarian Response
- Policy Directorate
- PL-480:
  - Contingency Fund
  - Emergency Programs
  - Stock Adjustment
  - World Food Program
  - Farmer to Farmer
  - PVO Administration
  - DOT Reflows
  - Adjustments for rounding
- Crime Initiative
- Administration of Justice/CITAP
- Narcotics:
  - Interregional Aviation Support 21,000
  - International Organizations 11,500
  - Law Enforcement & other training 11,500

12,000  
10,000

## INTRODUCTION

## FY 1996 FOREIGN OPERATIONS ASSISTANCE REQUEST

(\$ thousands)

	Counter- Narcotics	NIS	Central Europe	ESF	FMF	IMET
Program Development & Support	6,500					
FMF:						
FMF Loan Subsidies					89,888	
Demining					10,000	
Administrative Costs					24,020	361
<b>TOTAL, CENTRAL PROGRAMS</b>	50,500			22,000	123,908	361
<b>TOTAL, GEOGRAPHIC &amp; CENTRAL</b>	213,000	788,000	480,000	2,494,300	3,351,908	39,781

## INTERNATIONAL ORGANIZATIONS AND PROGRAMS (IO&P)

### PROGRAM SUMMARY

*(DOLLARS IN MILLIONS):*

	1994 Actual	1995 Estimate	1996 Request
IO&P	362.628	374.000	425.000

Investments in multilateral programs can be powerful and effective means to serve US foreign policy objectives, such as promoting and maintaining peace, strengthening democratic institutions, and fostering economic prosperity and sustainable development. Multilateral agencies tackle a host of problems, such as nuclear proliferation, famine, ethnic conflict, rapid population growth, and environmental degradation, that cannot be solved solely through unilateral and bilateral action. Voluntary contributions to multilateral agencies are a bargain for the United States in advancing our interests. For every dollar we contribute to agencies that advance US interests, such as the UN Children's Fund (UNICEF), the UN Development Program, and the International Atomic Energy Agency, our multilateral partners contribute \$8-\$10.

The benefits are enormous. Examples include:

- UNICEF has helped countries achieve the seemingly impossible goal of 80% coverage through its Universal Child Immunization Program. This is, in part, a testament to the leadership of US citizen James Grant, who died recently after fifteen years at UNICEF. During his tenure, UNICEF grew into a leading multilateral institution for development and emergency assistance.
- The World Food Program had sufficient resources and logistics capacity to feed the hundreds of thousands Rwandans that flooded refugee camps this past year. As a result, famine was not added to the list of horrors Rwandan refugees had to endure.
- UNDP has helped improve living conditions, promoted municipal works, and developed the private sector in the West Bank and Gaza, an important part of the peace process between Palestinians and Israelis.
- US industry is benefitting greatly from contributions to the Multilateral Fund for the Implementation of the Montreal Protocol, since American manufacturers are the world leaders in many ozone-depleting substances (ODS) substitution technologies.

The FY 1996 President's Budget requests \$425 million for the IO&P account. This includes \$355.4 million for programs that promote sustainable development, \$65 million for promoting peace through two non-proliferation programs, and \$4.6 million for programs that build democracy. Nearly four-fifths of the sustainable development funds are for three key United Nations agencies: UNDP, UNICEF, and UNFPA. The remaining funding is used to support a host of smaller agencies and programs that promote economic growth and protect the global environment in unique, specialized ways. (See chart.)

*INTERNATIONAL ORGANIZATIONS AND PROGRAMS*

Of the \$51 million requested increase in this account, \$22 million is to establish the Korean Energy Development Organization. This international consortium was established to implement the agreed framework signed between the United States and the Democratic People's Republic of Korea (DPRK) on October 21, 1994. The Agreed Framework addresses US and international concerns about the DPRK's nuclear weapons program. If implemented, this vitally important agreement will ultimately lead to the complete dismantlement of North Korea's nuclear capability.

Other increases include:

+ \$11 million for global environmental programs, including a \$6.5 million increase for the Montreal Protocol Multilateral Fund to support reductions in emissions of ozone depleting substances, a \$2.75 million increase in our contribution to the UN Framework Convention on Climate Change to pick up the US share of its expanded work toward stabilizing concentrations of greenhouse gases, and a \$1 million increase in the US contribution to the UN Environment Fund to stimulate international action on key environmental issues.

+ \$5 million for the UN Population Fund, bringing the total US contribution to \$55 million. Increases in US and other donor contributions are needed in response to the increasing size of the population being served by UNFPA programs (expected to grow by 200 million people in the next five years). The UNFPA is also broadening the type of services it makes available in developing countries to include safe motherhood programs, prevention and treatment of sexually transmitted diseases and prevention of HIV/AIDs.

+ \$3 million for the voluntary programs of the International Atomic Energy Agency. A \$43 million voluntary contribution will assist the IAEA in pursuing a course of work that promotes international peace and security through its safeguards program.

+ \$3 million for UNICEF. The US contribution to UNICEF has remained constant at \$100 million for the past three years. This modest increase demonstrates US commitment to strong support of UNICEF.

+ \$2 million for the UN Development Program for a total contribution of \$118 million, or roughly what the US contributed in FY 1994. Led by a dynamic American Administrator, UNDP plays a key role in coordinating and reforming most of the UN's development assistance programs. UNDP's emphasis on sustainable development and support for programs that promote economic and market reform, privatization, job creation, and democracy and peace building are fully consistent with US foreign policy goals.

+ \$2 million for the OAS Fund for Strengthening Democracy. Voluntary contributions to this OAS fund will help meet the costs of several major election observations and will support additional political reconciliation tasks resulting from the Summit of the Americas.

## INTERNATIONAL ORGANIZATIONS AND PROGRAMS

**FY 1996 BUDGET REQUEST**  
**INTERNATIONAL ORGANIZATIONS AND PROGRAMS**  
*(in thousands of dollars)*

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
<b>BUILDING DEMOCRACY</b>	<b>3,800</b>	<b>3,700</b>	<b>4,600</b>
UN Vol Fund for Advisory Services and Techn'l Coop <sup>1</sup>	0	1,025	1,100
UN Vol Fund for Victims of Torture	1,500	1,500	500
UN Educational & Training Progm for Southern Africa	1,300	175	0
OAS Fund for Strengthening Democracy	1,000	1,000	3,000
<b>PROMOTING SUSTAINABLE DEVELOPMENT</b>	<b>328,828</b>	<b>330,300</b>	<b>355,400</b>
<b>Broad-Based Economic Growth</b>	<b>230,628</b>	<b>222,300</b>	<b>231,200</b>
UN Development Program (UNDP)	118,257 <sup>2</sup>	116,000	118,000
UN Capital Development Fund (UNCDF)	3,000	1,100	1,000
UNDP Capacity 21	2,000	0	0
UN Development Fund for Women (UNIFEM)	1,000	1,000	1,000
UNICEF	100,000	100,000	103,000
World Food Program	3,000	3,000	2,500
Afghanistan Emergency Trust Fund	2,000	500	500
International Fund for Agricultural Development (IFAD)	271	0	5,000
UN Industrial Dev Org/Investment Promotion Service	500	500	0
UN Fellowship Program	250	100	100
ICAO Aviation Security Fund	100	100	100
Int'l Research & Training Inst. for Advmt. of Women	250	0	0
Stabilization of World Population Growth	40,000	50,000	55,000
UN Population Fund (UNFPA)	40,000	50,000	55,000
<b>Protection of Global Environment</b>	<b>47,200</b>	<b>47,000</b>	<b>58,200</b>
UNEP Environment Fund	21,000	15,000	16,000
UNEP-Related Activities	1,000	1,000	1,000
Montreal Protocol Multilateral Fund	15,000	20,750	27,250
Habitat	400	300	300
Int'l Union for Conservation of Nature (IUCN)	1,000	1,000	1,000
Int'l Tropical Timber Organization (ITTO)	1,000	1,000	1,000
Convntn on Int't Trade in Endangered Species (CITES)	1,000	1,000	1,000
Ramsar Convention on Wetlands	750	750	750
UN Framework Convention on Climate Change (UNFCCC)	250	250	3,000
Intergovernmental Panel on Climate Change (IPCC)	300	400	600
Int'l Contribtuns for Scntfc, Educal & Cultural Actvts	2,000	2,050	2,050
World Heritage Fund	450	450	450
World Meteorological Org/Voluntary Cooperation Program	2,250	2,250	3,000
World Meteorological Org/Spl Fund for Climate Actvts	800	800	800
<b>Support for Democratic Participation</b>	<b>11,000</b>	<b>11,000</b>	<b>11,000</b>
OAS Development Assistance Programs	11,000	11,000	11,000
<b>PROMOTING PEACE</b>	<b>30,000</b>	<b>40,000</b>	<b>65,000</b>
<b>Non-Proliferation and Disarmament</b>			
Int'l Atomic Energy Agency (IAEA) Voluntary Programs	30,000	40,000	43,000
Korean Energy Development Organization (KEDO)	0	0	22,000
<b>Grand Totals</b>	<b>362,628</b>	<b>374,000</b>	<b>425,000</b>

<sup>1</sup> Renamed Voluntary Fund for Technical Cooperation in the Field of Human Rights

<sup>2</sup> Of which \$2 million was transferred from the Economic Support Fund

## INTERNATIONAL ORGANIZATIONS AND PROGRAMS

**UN HUMAN RIGHTS CENTER VOLUNTARY FUND  
FOR ADVISORY SERVICES AND TECHNICAL COOPERATION**

**PROGRAM SUMMARY**

*(DOLLARS IN MILLIONS):*

	1994 Actual	1995 Estimate	1996 Request
IO&P	0.000	1.025	1.100

**Program Definition and Objectives:** The Advisory Services Program of the UN Human Rights Center provides human rights assistance to governments at their request and is one of the three main components of the UN Human Rights Center headquartered in Geneva. Consistent with U.S. democracy and human rights goals and priorities, the fund focuses on the following program areas:

- Building and strengthening national and regional institutions and infrastructures for human rights;
- Promoting democracy, development, and human rights;
- Strengthening the rule of law and democratic institutions;
- Providing assistance for the conduct of free and fair elections;
- Improving the administration of justice and independence of the judiciary.

The program of advisory services was established pursuant to a 1955 UNGA resolution which authorized the Secretary General to make provisions in relation to advisory services of experts, fellowships and seminars, at the request of governments and with the cooperation of specialized agencies. Lack of adequate resources prompted the UN Secretary General to formally establish the United Nations Voluntary Fund for Advisory Services and Technical Assistance in 1987.

A board of trustees was established in 1993 to oversee the fund and to develop long-term policy guidelines for its use. Priorities are also influenced by the UN Human Rights Commission (UNHRC), and the UN General Assembly. Moreover, at U.S. initiative, several UN Human Rights Commission special rapporteurs are now authorized to recommend programs for funding consideration.

The Secretary General shares the U.S. view that there is a strong relationship between the observance of human rights and the establishment of democracy. Building democratic institutions was formally endorsed as a UN goal at the 1993 World Conference on Human Rights, and as such, the Vienna Declaration and Program of Action recognized the importance of advisory services and called for greater enhancement of the program. Additionally, the establishment of a High Commissioner for Human Rights (HCHR) increased focus on the provision of advisory services under the fund. The HCHR has made the enhancement of the

*INTERNATIONAL ORGANIZATIONS AND PROGRAMS*

advisory services program one of his priorities, and plans to carefully supervise the decisions made on provisions of advisory services and technical assistance.

The advisory services program's level of activity and requests for assistance have ballooned during the past several years as recognition of the relationship between human rights, democracy, and development grows. In 1993, the pace and scope of activities continued to expand. The program included 26 fellowships (96 candidates nominated by 67 governments); 120 interns; needs assessments in six countries; legislative reform assistance provided to five countries; electoral assistance provided to Malawi, South Africa and Lesotho; administration of justice programs conducted in Albania, Romania, Burundi, Malawi, and Mongolia; and programs designed at strengthening national institutions conducted in five countries. Under the rubric of regional support, assistance was provided to the African Commission on Human and Peoples' Rights, the Arab Institute of Human Rights, and the African Center for Democracy and Human Rights Studies.

A number of 1993 programs were part of ongoing projects begun and implemented over a number of years. In Africa, programs were ongoing or planned for 1994 in 16 countries; in Asia and the Pacific in four countries; in Europe in 12 countries; and for Latin America, projects were planned for seven countries. At the regional level, program support in 1994 was set to continue for the African Commission on Human and Peoples' Rights, the African Center for Democracy and Human Rights Studies, and the Arab Institute for Human Rights. At the beginning of 1994, there were at least 35 pending requests for advisory services, although additional requests have been submitted throughout the year for funding consideration.

The UN Voluntary Fund for Advisory Services and Technical Cooperation program compares favorably with and often complements other bilateral, regional and NGO programs. The sheer number of pending requests is evidence of the confidence governments have in the services provided, and is further evidence of the need to increase financing for the fund.

Funding Request: The Human Rights Center received approximately \$25 million from the UN regular budget in calendar years 1993-94. In 1993 approximately \$500,000 was allocated to the advisory services program, and the Center anticipates receiving a similar amount in 1994 and 1995 from the UN regular budget. Between 1987 and 1993, the program received approximately \$8.45 million in voluntary contributions. In 1993, a total of \$2.056 million was pledged, with Sweden being the largest single donor (\$0.488 million). Other major contributors were Norway (\$0.377 million), Belgium (\$0.265 million) and Denmark (\$0.219 million). A total of 19 countries and four NGOs contributed to the fund in 1993. For the first time, the United States will contribute \$1.025 million to the voluntary fund in 1995. Given that the goals and objectives of the Fund are in keeping with U.S. foreign policy objectives of building democracy, fostering greater respect for human rights, and promoting peace, it is clearly in the U.S. interest to provide an additional voluntary contribution of \$1.100 million in FY 1996. Continuing support would assist the newly appointed HCHR with his mandate. The U.S. contribution would additionally act as a catalyst to spur other donors to contribute in more significant ways, as well.

Demands have increased dramatically for advisory and technical services, but funding has not been available to evaluate or carry out potentially valuable projects from dozens of countries. For example, funding is still not available for a \$1.2 million package of democracy building programs in Russia in spite of appeals. Moreover, the fund has been asked to provide technical

*INTERNATIONAL ORGANIZATIONS AND PROGRAMS*

services to Rwanda and Burundi. As the situation in Haiti unfolds in the months ahead, it is also likely that the UN will be asked to provide support for democracy and human rights through advisory services. Without adequate financing, the voluntary fund will not be in a position to respond to these pressing needs.

**Success Stories:** While it is difficult to quantify the success of the advisory services programs since transition to democracy is in most instances an on-going process, there are several recent examples where advisory services financing has been instrumental in democratic transitions. In Malawi, a comprehensive needs assessment for the process of a democratic transition took place in August - September 1993. The report served as a framework for the transition process for the Government, opposition parties, the donor community and the UN. Subsequent to the assessment, detailed legal analysis of the Malawi laws relevant to human rights in the administration of justice ensured. Recommendations were made to assist in the constitutional redrafting process. In Lesotho, a seminar on free and fair elections and human rights in a democratic society was one important component in a broad country program of electoral assistance. Assistance was also provided to the Community Legal Resource and Advice Center for a massive civic education campaign both during and after the elections. The government of Lesotho has expressed its interest in a post-electoral needs assessment as a first step towards a comprehensive human rights program.

## INTERNATIONAL ORGANIZATIONS AND PROGRAMS

## UNITED NATIONS VOLUNTARY FUND FOR VICTIMS OF TORTURE (UNVFVT)

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS):

	1994 Actual	1995 Estimate	1996 Request
IO&P	1.500	1.500	0.500

**Program Definition and Objectives:** The elimination of torture is a major objective of U.S. human rights foreign policy. Assisting the victims of torture helps to establish a climate in which freedom is strengthened and democracy is reborn.

The United Nations Voluntary Fund for Victims of Torture, which was established by the UN General Assembly in 1981, provides worldwide humanitarian assistance to victims of torture. Its major goal is to provide medical and psychological assistance to victims and to their families. Its secondary goal is to provide legal, financial, and social assistance to victims and their families. Ninety percent of the Fund's expenditures are incurred in developing countries. Grants are awarded by the Fund's Board of Trustees which reports directly to the UN Secretary General. The Board's mandate requires it to distribute aid through "established channels of humanitarian assistance," such as hospitals, research and training centers and overseas doctors projects. In order to protect the victims of torture from retaliation and to give them the privacy necessary to heal their physical wounds and to speed their psychological recoveries, the Fund does not publicize names or cases.

The Fund provides support for local centers. In the Fall of 1993, the Finnish Center for Torture Survivors in Finland opened its doors to treat the estimated 1,500 to 2,500 torture survivors in Finland. There are also Centers for the Treatment of the Victims of Torture in Santiago, Prague, Minneapolis, and Tallinn. Since the Fund began operations in 1983, some 200 grants totalling over \$5.3 million have been authorized for over 110 projects from almost 50 countries on four continents.

**Funding Request:** The FY 1996 budget request for UNVFVT of \$500,000 is essential to maintain the Fund as an effective weapon against torture. Major donors to the Fund include: U.S., Sweden, Finland, Denmark, Germany and Japan.

**UNVFVT Success Stories:** In 1993, Secretary Christopher visited the Center for Victims of Torture in Minneapolis, which receives partial funding from the UNVFVT. Clients at the Center have benefitted enormously from treatment and are leading successful lives.

## INTERNATIONAL ORGANIZATIONS AND PROGRAMS

**ORGANIZATION OF AMERICAN STATES  
FUND FOR STRENGTHENING DEMOCRACY**

**PROGRAM SUMMARY**

(DOLLARS IN MILLIONS):

	1994 Actual	1995 Estimate	1996 Request
IO&P	1.000	1.000	3.000

**Program Definition and Objectives:** The Organization of American States (OAS) has two major units dedicated entirely to building democracy and promoting human rights - the Unit for the Promotion of Democracy (UPD) and the Inter-American Commission on Human Rights (IACHR). The staff work of both is funded from the assessed general budget of the OAS. Both entities also receive special contributions to fund crucial programs. The United States provides special contributions to the UPD and the Commission to show the U.S. commitment to democracy and human rights, and to encourage other member and observer states to follow suit. Based on commitments, including ours, made in Miami at the Summit of the Americas, contributions from the United States as well as from other member and observer states are expected to grow. These funds will support programs which make maximum use of the multilateral legitimacy of the OAS to promote democracy and human rights, often in areas where U.S. unilateral action would be seen as interventionist.

The Unit for the Promotion of Democracy implements electoral assistance programs designed to strengthen electoral processes in member states to enhance the free and fair nature of elections. It also monitors elections in member states. The Unit carries out programs to strengthen democratic institutions in countries where emerging democratic structures are still weak, and played important roles in national reconciliation programs in Nicaragua and Suriname following their civil wars.

In addition to its current and anticipated workload (likely to include several major election observations), the Democracy Unit has been asked to take on enhanced tasks as a result of the Summit of the Americas. The Summit agreed that the OAS should assume the mission of 'fostering dialogue and political reconciliation' when asked by member countries. U.S. support is intended to increase the OAS' capacity (particularly via the UPD) to carry out these high-priority missions, aimed at heading off internal crises before they lead to a disruption of constitutional order. During FY-96, the OAS will share with the UN the task of monitoring the critical election in Haiti, and will likely be called on to monitor other elections in the hemisphere to enhance transparency/legitimacy.

The Inter-American Commission on Human Rights is the sole Inter-American body responsible for monitoring and reporting on the situation of human rights in OAS member states. Special U.S. contributions to the IACHR fund on-site investigative visits by the Commission to countries with serious human rights problems, and fund the publication of IACHR country reports. The IACHR has played an important role in maintaining the international spot light on the human rights situation in conflict areas, including Haiti.

*INTERNATIONAL ORGANIZATIONS AND PROGRAMS*

In FY-96, the OAS expects to invest resources, through the Unit for the Promotion of Democracy and the Inter-American Commission on Human Rights, in:

- Providing electoral support to the restored constitutional Government of Haiti, possibly to include activities to help rebuild the electoral mechanism of the state, conduct a voter education campaign and train local poll watchers.
- Monitoring national elections at the invitation of the affected states. Possibilities include Guatemala (November, 95), Haiti (December, 95), Dominican Republic (May, 96), Ecuador (May, 96) and Suriname (May, 96).
- Participating in the peace process in Guatemala by carrying out a conflict resolution program in the nine provinces affected by the civil war.
- Conducting programs in OAS member states to strengthen specific democratic institutions, to include legislative training, empowering municipal governments, civic education and strengthening judicial systems.
- Building the OAS' capacity to foster national reconciliation in OAS member states emerging from civil conflict or suffering from severe political crisis. This might include helping to support more actual reconciliation efforts 'in the field' of the countries that invite such assistance, plus Washington-based training and seminars that would bring together leading personalities with technical experts on mediation/reconciliation.
- Monitoring human rights in OAS member states, conducting on-site visits to Haiti and selected states where human rights visits have not been welcome in the past (i.e. Brazil), and publishing reports on their findings.

The OAS Unit for the Promotion of Democracy and Inter-American Commission on Human Rights compare favorably with other programs designed to promote democracy and human rights, in that the OAS brings with it extensive experience and the legitimacy of a multilateral effort. The OAS is the only regional organization whose charter principles have the defense of democracy as a central tenet and whose participating members are all democratically elected. This multilateral approach to democracy and human rights will receive increasing attention and resources, both within the OAS and from other member states and permanent observers, thereby ensuring that U.S. resources contributed to the effort have a beneficial impact.

**Funding Request:** The FY 1996 budget request of \$3.0 million for OAS democracy and human rights promotion is based on the expanded role the Administration has sought for multilateral involvement in addressing these critical issues, and the growing role the OAS is playing in defense of democracy in the hemisphere following the adoption of OAS Resolution 1080 (anti-coup mechanism) in 1991. With a new activist Secretary General having assumed office in late 1994, burgeoning requests by member states for OAS strengthening-democracy programs, and significant new taskings from the Summit of the Americas, the OAS role in support of democracy and human rights in the hemisphere will quickly overwhelm the current capacity of the programs.

**Success Stories:** The OAS Unit for the Promotion of Democracy, created in 1991, was instrumental in brokering a peace agreement between warring factions in Suriname's civil war

*INTERNATIONAL ORGANIZATIONS AND PROGRAMS*

and was the primary implementor of the peace accords, carrying out programs to reincorporate former combatants into civilian life and into the national economy. A similar program carried out by the UPD in Nicaragua through the International Support and Verification Commission (CIAV) has been equally successful at defusing political tensions left over from the decade-long Central American conflict. The Unit's work in election monitoring in Nicaragua, Paraguay, Peru, Venezuela and most recently in the Dominican Republic has been an essential element of promoting free and fair elections in the hemisphere, particularly in countries emerging from civil war or military dictatorships.

The Inter-American Commission on Human Rights has parlayed its international credibility into opening doors for investigative on-site visits to countries where observing human rights can be dangerous. Recent visits to Peru and Haiti have helped draw the international spotlight to abuses in those nations and focussed pressure to correct them.

## INTERNATIONAL ORGANIZATIONS AND PROGRAMS

## UNITED NATIONS DEVELOPMENT PROGRAM (UNDP)

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS):

	1994 Actual	1995 Estimate	1996 Request
IO&P	118.257	116.000	118.000

**Program Definition and Objectives:** The United Nations Development Program (UNDP) is the world's largest multilateral source of grant technical assistance for developing countries and is financed by voluntary contributions from member states. UNDP is the central coordinating and funding mechanism for technical assistance implemented by agencies of the UN system, with an emphasis on the poorest countries. In 1990, UNDP's Governing Council decided that approximately 85% of its core budget resources would be allocated to the least developed countries, i.e. - those whose per capita GNP is \$750 or less. The Program's central coordinating role is manifested in its world-wide network of some 130 field offices, each headed by a resident representative, who serves as the in-country coordinator of UN system development activities. Thus, an effective and fully funded UNDP enables each UN agency to make optimum use of its resources in the field.

UNDP is charting a bold, new course under the dynamic leadership of its Administrator, James Gustave "Gus" Speth, a renowned U.S. environmental leader. Under Speth, UNDP is working to unify a fragmented UN system behind the goal of "sustainable human development" (SHD), which he describes as resting upon four pillars: poverty alleviation, job creation, advancement of women, and protection and regeneration of the environment.

UNDP's program priority areas and emphasis on sustainable development are fully consistent with U.S. foreign policy goals in the economic, social and political fields and include programs emphasizing the promotion of economic and market reform, privatization, job creation, democracy and peace building. These programs also serve U.S. national security interests, including economic interests, insofar as they lead to the creation of dynamic growing economies and stable open civil societies, resistant to conflict and receptive to U.S. trade and investment. In recent years UNDP also helped deliver hundreds of millions of dollars in humanitarian disaster relief.

Furthermore, UNDP is a leader within the UN system for management and administrative reform. UNDP has taken dramatic steps to become more cost-effective and service oriented. To address the problem of dwindling resources, UNDP has tightened its belt by cutting the administrative budget by 12 percent in real terms, by cutting headquarters staff by 25 percent and field staff by 8 percent. UNDP has strengthened its accountability systems by making greater use of auditors, both external and internal, and has turned to private firms in Asia and Africa to examine accounts and perform audits. A new employee performance evaluation system, based on those successfully used in private firms, has been held as a model for the UN as a whole. UNDP's focus on sustainable human development fully complements USAID's core mission in ensuring that economic and social growth, *inter alia*, builds indigenous self-sustaining capacities at the human and institutional level.

## INTERNATIONAL ORGANIZATIONS AND PROGRAMS

Implementation of UNDP programs, which cover all sectors of economic development and political transition to more open and democratic societies, is increasingly focusing on building recipient countries' national capacity to manage their own development, policy planning, human resources development, and environmental protection. Its focus on national capacity building includes: (a) economic and market reform and privatization initiatives; (b) job creation; (c) peace building and conflict avoidance, and rehabilitation after conflicts; (d) management development, policy implementation, and public sector reform; (e) aid coordination and effectiveness; (f) promotion of democratic governance through protection of human rights, elections and judicial reform; and (g) dialogue and cooperation with institutions of civil society, including non-governmental organizations (NGO's) and community-based organizations (CBO's).

UNDP compares favorably with other institutions promoting sustainable development efforts because of its ability, as a key multilateral instrument, to leverage scarce assistance resources. (The U.S. contribution is increased ninefold by other donor contributions to yield a core aid budget of about \$1 billion per year.) UNDP complements the aid programs of the United States, the World Bank and other important donors. Because of its multisectoral approach to development and its neutrality in the post cold war era, UNDP is particularly well placed and is recognized for broad based expertise to assess the social, economic and political needs of emerging nations, nations being rebuilt after crises, and nations trying to avoid social, political, and economic disintegration. It is actively working with the Bretton Woods institutions and the regional development banks to design programs to promote sustainable development. Furthermore, unlike other aid programs and because of UNDP's recognized expertise, UNDP manages \$376 million a year in programs funded through "cost sharing", arrangements pursuant to which countries use their own or third party funds for these programs without drawing on UNDP's core budget. Nonetheless, the benefits of these UNDP self-financing development programs redound to donor countries.

UNDP's central role in organizing and giving substance to UN development assistance in Third World countries was recently enhanced. In July 1994, the UN Secretary General announced that he had asked Administrator Speth to ensure policy coherence and enhance coordination among the UN's headquarters departments, the system's various Funds and Programs, and the regional economic commissions, in an effort to promote more effectively the UN's operational activities for development. The action reinforces UNDP's central coordination role, both in the field and now, for the first time explicitly, at the headquarters level.

**Funding Request:** The FY 1996 budget request for UNDP of \$118 million is essential to maintain our current level of influence in the UN development system and to sustain UNDP's--and Gus Speth's--central coordinating role in that system.

- Continued high levels of U.S. contributions to UNDP are a vital manifestation of our support for Speth personally, for his efforts to revitalize and rationalize UNDP activities, and for his newly enhanced leadership position in the UN system.
- Both the membership and the Secretary General are looking to UNDP and Speth to provide coherent policy direction for the broad spectrum of system activities spanning the continuum from disaster relief to rehabilitation to sustainable development.

## INTERNATIONAL ORGANIZATIONS AND PROGRAMS

- funding levels for UNDP are used as the benchmark by which other major donors set their own contribution levels. The FY-94 U.S. contribution of \$116.257 million<sup>1</sup> represents nearly 13% of total contributions.
- Overall reduced levels of donor funding in the past year have jeopardized UNDP's field-level coordination responsibility and its capability to support in-country activities of other agencies of the UN system, many of which rely on UNDP for logistical and program support.

In sum, UNDP is a highly cost-effective tool in our development arsenal. Full funding of UNDP by the U.S. is the best way of stretching our development dollar to promote U.S. interests -- UNDP's and Gus Speth's objectives are fully supportive of our own.

**UNDP Success Stories:** Increasingly, UNDP is the voice for political change in repressive societies. Because it is seen as a neutral, objective party, UNDP has served as a mediator for the World Bank, a facilitator for access and assistance to refugees and political prisoners, and a financing vehicle for human rights monitors.

- UNDP initiatives in the areas of economic and market reform and privatization have contributed substantially to the growth and opening of the economies of Vietnam and China most recently, and before that to the growth of the economies of South Korea, Singapore, Indonesia, Thailand, and India.
- UNDP helped the postwar government in Rwanda to develop a reconciliation and rehabilitation plan and then convened a "round table" meeting in January which raised \$587 million in pledges from bilateral donors, including the U.S., from the European Union and the World Bank to put the plan into action. Before that, it had helped to set up a human rights monitoring mechanism in Rwanda and had proposed ways to roll back widespread ecological and health threats among refugees in neighboring Zaire.
- UNDP, which has been working in the Occupied Territories for 13 years through its Program of Assistance to the Palestinian People, has gained a lead development role in the West Bank and Gaza. UNDP spent more than \$30 million in 1994, channelling donor funds into improving living conditions of the Palestinian population, promoting municipal works and developing the private sector. A \$12 million citrus juice processing plant opened in 1994, financed by the government of Italy and UNDP. It is the largest industrial investment recently made in the Gaza Strip. UNDP recently proposed creation of an industrial park in Gaza, which could provide an important source of jobs.
- In Haiti, where UNDP had actively promoted and helped to conduct the election that brought a democratically-elected government, UNDP followed up since President Aristide's return by helping to work out a plan to meet immediate humanitarian needs and to facilitate the transition to reconstruction, and to help raise funds for that program. Priority activities have been identified in the fields of governance -- including a viable judiciary -- agriculture, environment, education and health as well as support to local communities and the private sector.

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<sup>1</sup> Excludes \$2 million transferred from the Economic Support Fund.

*INTERNATIONAL ORGANIZATIONS AND PROGRAMS*

- UNDP helped the new, democratic government of South Africa to draft a Reconstruction and Development Program, and then co-sponsored a donor conference last October to stimulate funding of the program's implementation. The conference in Cape Town represented the first substantive exchange between South Africa and the international community -- more than 45 governments and 25 NGO's -- on the development needs of the country. The central theme was human resource development, and the aim was to build strong local institutions and to involve civil society to make the program work.
- In Chad, UNDP extended a USAID program of Volunteers in Technical Assistance from the capital to another city, Moundou, granting 900 loans totalling \$700,000 to create 73 new small and medium enterprises, creating 1,315 new jobs. More than half of the loans went to women. The UN Capital Development Fund, associated with UNDP, will provide follow-up investment of up to \$1 million.
- India and UNDP are co-financing a \$46 million program to find new uses for jute fibers. Already, new applications in home furnishings, apparel, building materials and consumer products such as interior panels for Mercedes and Cadillac automobiles, have begun to affect the lives of the estimated 20 million persons whose livelihoods depend mainly on jute production or processing.
- A program in Poland which involves Rotary International, U.S. airlines, businesses and UNDP brings Polish students to Western businesses to learn market-oriented business techniques. The students cited as benefits: performance-improving employee-manager relationships, customer relations and systematic business approaches. In 1994, ten students worked in Minnesota and Florida with host businesses.
- UNDP's annual Human Development Report has not only changed the development debate in donor countries, but has changed lives in developing countries, as more than 25 of them apply the lessons of the report. Bangladesh is writing its third national human development report, this time on "empowerment of women." Already, changes in policy have resulted from earlier reports.

## INTERNATIONAL ORGANIZATIONS AND PROGRAMS

## UNITED NATIONS CAPITAL DEVELOPMENT FUND (UNCDF)

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
IO&P	3.000	1.100	1.000

**Program Definition and Objectives:** The United Nations Capital Development Fund (UNCDF) provides grant capital assistance to least developed countries (LDCs) for small-scale investment in order to provide early, direct and high-impact social and economic benefits to lower income groups. It is unique among the UN system development agencies in that its target group comprises the most vulnerable and disadvantaged elements in LDC societies. UNCDF's core mandate is to fund small-scale social and economic infrastructure projects to improve living conditions and create economic opportunities for the poor in ways that help them achieve self-reliance.

The UN General Assembly established UNCDF in 1966 and, in 1967, placed it under the administration of the United Nations Development Program (UNDP), making the Fund subject to policy guidance from the UNDP Executive Board. UNCDF is headed by an Executive Secretary and is supported by a small secretariat staff. UNCDF's structural link with UNDP allows it to draw upon UNDP's central services and to utilize its global field network of resident representatives in developing countries, thereby keeping overhead costs to a minimum.

A combination of special features makes UNCDF's role in the multilateral development system unique. UNCDF's mandate and operational policies enable it to (a) focus on the poorest of the poor by working at the grassroots level with laborers, small farmers, micro-entrepreneurs, the unemployed, low-income urban dwellers and other vulnerable groups; (b) help meet basic needs for food, safe drinking water and sanitation as well as develop agriculture and small-scale enterprises; and (c) invest in small-scale projects (\$200,000 to \$5 million) that are not large enough to be considered by other multilateral financing institutions. A variety of UN agencies, working with host governments, multilateral development banks and private entities, execute UNCDF projects.

UNCDF's mandate, programmatic focus and target on the most disadvantaged elements of society fully complement U.S. objectives of sustainable development, participatory development and poverty alleviation. In keeping with UNDP's new focus on sustainable human development, UNCDF's Deputy Executive Secretary told the UNDP Executive Board in May 1994 that the Fund's new emphasis is on "partnerships with local governments and organizations." UNCDF believes that the most intractable problems in developing countries today, such as job creation, entrepreneurship development and environmental protection, are only solvable at the local grassroots level. Thus, UNCDF seeks to place its capital development packages with local authorities so as to (a) give local authorities credibility vis-a-vis the local population, and (b) encourage community participation in public sector investment decisions. UNDP Administrator Speth echoed these sentiments in his remarks to the Board, referring to the Fund as UNDP's "community development arm" and pointing to the failure of

*INTERNATIONAL ORGANIZATIONS AND PROGRAMS*

the large institutions to deliver participatory assistance to local communities. The Executive Board endorsed UNCDF's new focus and encouraged the Fund to continue to pursue new sources of funding from non-traditional donors.

**Funding Request:** The FY 1996 budget request of \$1 million for UNCDF is essential to maintain the viability of an organization which fills a much-needed niche in the UN development system. UNCDF is an extremely well managed organization which has effectively reached the grassroots levels of least developed countries with small, high-impact capital projects. The Fund plays a vital role in addressing the needs of poor populations, by funding such projects as the development of improved agricultural methods and infrastructure, providing credit facilities to artisans and small entrepreneurs, and promoting the principle that people must be responsible for their eco-systems.

**UNCDF Success Stories:**

- A UNCDF program in the Dai Loc district of Vietnam comprises five interrelated projects concentrated in a single geographic location. Four of the projects are expected to be completed in 1994. Three infrastructure projects have already boosted the economic potential of the area by completing a 2,600 hectare gravity irrigation scheme, by improving power supply distribution, and by improving the transportation network. As a result, farmers can now grow double crops for the first time and get them to the markets more easily.
- A UNCDF grant in Nicaragua helped construct the "Bridge of Peace and Reconciliation," a 72 meter bridge in the north of Nicaragua connecting the remote market town of Quilali with agricultural producers in the valley of La Vigia. Both Sandinistas and ex-Contras cooperated on the construction of the bridge which could improve living standards for all. In the end the project spawned a type of economic "boom." Small ventures such as shops and hotels are springing up and bicycle sales are climbing steeply.

## INTERNATIONAL ORGANIZATIONS AND PROGRAMS

## UNITED NATIONS DEVELOPMENT FUND FOR WOMEN (UNIFEM)

## PROGRAM SUMMARY

*(DOLLARS IN MILLIONS):*

	1994 Actual	1995 Estimate	1996 Request
IO&P	1.000	1.000	1.000

**Program Definition and Objectives:** UNIFEM's mission is to support efforts of women in the developing world to achieve their objectives for economic and social development and for equality, and by so doing improve the quality of life for all. The Fund works in three key program areas of strategic importance to women: agriculture, trade and industry, and macro policy and national planning. Initiatives here are complemented by technical support for credit, technology transfer, small business development, and training. The approach stresses capacity-building, empowerment, and collaboration with appropriate partners. The Fund also addresses issues which are on the international agenda, and which critically affect women as beneficiaries and contributors to the development process.

Much of UNIFEM's work focuses on ways of linking women at the grassroots level with macro-policy formulation that shapes their future. The Fund directly supports small but creative women's initiatives demonstrating effective development alternatives that can be linked to larger programs designed to stimulate a more enabling policy environment.

UNIFEM was established in 1976 as the Voluntary Fund for the UN Decade for Women, 1976-1985. The Fund's name changed to UNIFEM in 1985. It provides direct financial and technical support to low-income women in developing countries, who are striving to raise their living standards. It also funds activities that bring women into mainstream development decision making. Based in New York, UNIFEM works in association with UNDP.

In 1973, the United States Foreign Assistance Act was amended to require that U.S. bilateral development assistance programs be administered so as to give particular attention to those programs, projects, and activities, which tend to integrate women into the national economies of their countries, thus improving their status and assisting the total development effort. This requirement, which is known as the "Percy Amendment", gives Congressional endorsement to the increasing concern that women participate fully in the tasks and benefits of economic growth.

UNIFEM is the only UN voluntary fund whose primary concern is the integration of women into the national economies of their countries. Thus, it achieves for multilateral assistance programs what the Percy Amendment achieves for U.S. bilateral assistance programs. UNIFEM plays a unique role in showing how increased access by women to sources of business finance, technology, and related services can be a powerful and effective tool for private sector development.

**Funding Request:** Voluntary contributions and pledges for 1994 are expected to amount to about \$10.9 million, of which the U.S. pledge of \$1 million represents 9.17%. Major pledges

*INTERNATIONAL ORGANIZATIONS AND PROGRAMS*

to UNIFEM in 1994 include: Netherlands (\$2.6 million), Norway (\$1.2 million), and Canada (\$1.1 million).

The U.S. contribution will be used to support the following types of activities: ensuring that refugee, displaced, and returnee women are active participants in efforts to find solutions to their problems; working with NGOs to strengthen their effectiveness; helping industrial women workers acquire new skills, decentralize production, and improve occupational health and safety; working with organizations that provide credit and training for micro-enterprises; supporting programs that facilitate women's entry into non-traditional occupations; and working with women to protect and improve the environment.

Current/Recent Programs: UNIFEM's efforts to advance the status of women include the following initiatives:

Women and the Environment

– UNIFEM funded a "Special Advisor on Women in Environment and Development" (WED) to work within the UNCED Secretariat. Her role was to provide those directly involved in the drafting process with a conceptual understanding of the need for gender analysis and the important linkages to be made with environment and development issues. This effort also helped position the Fund more effectively with its multilateral partners for sustainable development, build a consensus for action by women's groups, raise public and political awareness of the roles women play in environmental management, and influence policy decisions affecting women.

Violence Against Women

- In India, UNIFEM is funding the first sexual assault intervention center for victims of violence;
- In Venezuela, UNIFEM is supporting a program that provides counselling to victims of abuse, and teaches police officers and other community leaders how to be more sensitive to victims of sexual violence;
- At the international level, UNIFEM is collaborating with the Governments of Netherlands and Canada to develop international strategies to end violence against women;

Women as Refugees

- In Ghana and Cote d'Ivoire, UNIFEM is working to promote food security, improve shelter, generate income-earning, and provide trauma counselling for Liberian women refugees displaced by war;
- At the international level, UNIFEM is collaborating with UN agencies such as the Department of Humanitarian Affairs and UNHCR to help ensure a more appropriate response to women's needs in all areas of refugee assistance and development;

Women in Political Life

- In Cambodia, UNIFEM is assisting women to participate in free elections through a voter registration program and public awareness campaign;
- At the International level, UNIFEM and UN partner agencies are supporting an updated edition of "The World's Women: Trends and Statistics," which provides statistics on how the situation for women in political life is or is not changing.

Women Organizing for Change

*INTERNATIONAL ORGANIZATIONS AND PROGRAMS*

-- UNIFEM world with women's networks, NGOs and research institutes both in the North and South to mobilize women around the issues of human rights and to help women to participate effectively in the international arena. At the June 1993 World Conference on Human Rights, UNIFEM helped give women voice and visibility by: supporting women from Africa, Asia and the Pacific, and Latin America and the Caribbean to attend the World Conference as well as the regional and preparatory meetings; helping to organize a women's caucus to link women delegates and NGOs in common cause; and raising awareness among policy-makers, donors, and development practitioners through publications such as "Battered Dreams: Violence as an obstacle to Development" and "Freedom from Violence: Women's Strategies from Around the World."

Fourth World Conference on Women

-- UNIFEM is giving special attention to the role of gender, science and technology in development. In 1994, UNIFEM pulled together a worldwide network of agencies working in this area and organized an expert group meeting in order to ensure that women's role in science and technology is properly featured in the Platform for Action, the final document that will be adopted at the Fourth World Conference on Women.

-- UNIFEM has also focused on women and communications and has supported activities that are expected to lead to global dissemination via satellite of discussions at the Fourth World Conference on Women and the parallel NGO forum. UNIFEM is also working with other groups to promote a worldwide media focus on programming by and about women.

-- UNIFEM has supported an initiative by the UN Division for the Advancement of Women to bring young people together to articulate their priorities and concerns for the future to be included in the Platform for Action and in the planning of the parallel NGO forum.

## INTERNATIONAL ORGANIZATIONS AND PROGRAMS

## UN CHILDREN'S FUND (UNICEF)

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS):

	1994 Actual	1995 Estimate	1996 Request
IO&P	100.000	100.000	103.000

**Program Definition and Objectives:** The United Nations General Assembly created the United Nations Children's Fund (UNICEF) in 1946 as an emergency program to aid impoverished children left in the wake of World War II. Since then, UNICEF has evolved into a long-term, voluntary development fund aimed at improving the conditions and welfare of children and mothers. UNICEF also provides goods and services to help meet basic needs in maternal and child health, sanitation, clean water, nutrition, primary education and social services. In coordination with the UN Department of Humanitarian Affairs, the agency continues to provide extensive emergency assistance to countries seriously destabilized by civil strife or natural disasters. Through a highly effective and decentralized field network, UNICEF operates programs in 138 countries.

In decision 94/A/7, the 1994 UNICEF Executive Board stressed three program strategies for UNICEF operations, within the overall goal of sustainable child survival and development and its advocacy role: a) strengthening national programs for children through national capacity-building; b) support for the delivery of social services; and c) empowerment of children and women through development of knowledge and skills, the promotion of target group organization and participation in decision-making and the strengthening of cooperation within civil society.

UNICEF has a small emergency unit that continues to play a key role in many international relief efforts, including complex emergencies in Bosnia and Rwanda. Because it is careful to maintain an apolitical approach to its work, UNICEF frequently finds acceptance in countries seriously destabilized by civil strife. It is now working in close coordination with the UN Department of Humanitarian Affairs on humanitarian assistance in new emergencies, and traditionally holds sectoral responsibility in major emergencies for essential medical supplies, child needs and water/sanitation work. UNICEF reports expenditures of \$200 million on emergency efforts during 1994, a slight decline compared to \$223 million in 1993. Given post-Cold War realities, emergency program expenditures are expected to continue at high levels in the next few years.

All UNICEF programs are directly related to the welfare of children and mothers and have a widespread, positive impact on the well-being of the world's neediest, most vulnerable population groups. Official U.S. support for UNICEF conforms with the humanitarian ideals of the American people, who have supported UNICEF generously through private donations over the years. Moreover, UNICEF's development work complements U.S. bilateral assistance efforts through USAID's Child Survival Program. U.S. contributions to UNICEF also enable the U.S. to serve humanitarian aims in some nations where direct bilateral assistance is not politically feasible or desirable. UNICEF's approaches are fully consistent

*INTERNATIONAL ORGANIZATIONS AND PROGRAMS*

with U.S. humanitarian development assistance priorities and programs. There is a close and continuous dialogue between the United States and UNICEF on technical matters of common interest, and strong cooperation in field activities. The position of UNICEF Executive Director, which was held by the late James P. Grant (U.S.) for fifteen years, until he resigned on January 25, 1995 due to ill health, is currently vacant. The U.S. has nominated an American candidate, Dr. William Foege, to succeed Mr. Grant. The Secretary General is expected to announce an appointment shortly.

Programs are designed to involve local communities as much as possible and to use equipment and materials which can be locally obtained and maintained. Such projects are frequently linked to resources from other bilateral and multilateral aid agencies, e.g., the UN Capital Development Fund and the bilateral U.S. Agency for International Development (USAID) program, including child survival activities.

UNICEF collaborates closely with WHO in several areas of mutual interest, including the development of the Children's Vaccine Initiative and the promotion of breast-feeding and nutrition. Similarly, it collaborates with UNESCO on education issues. Along with five other international organizations, UNICEF will participate in the new UN Joint Co-Sponsored Program on HIV/AIDS.

**Funding Request:** The United States has always been a strong supporter of UNICEF and one of its largest contributors. In FY-94 and FY-95, the United States provided \$100 million to UNICEF's general resources budget, making it the largest governmental donor. Other major contributions in 1994 included: \$48.0 million from Sweden, \$34.7 million from Norway, \$28.4 million from Japan, \$34.7 million from Italy, \$26.6 million from Denmark, and \$23.2 million from the Netherlands.

**UNICEF Success Stories:** UNICEF inspired and provided the secretariat for the September 1990 World Summit for Children. The Declaration issued at the Summit endorsed a Plan of Action to guide national efforts to address children's needs and a set of goals to be met by the year 2000. UNICEF is working to sustain the momentum generated by the Summit and to ensure achievement of a set of mid-term goals by 1995. UNICEF supports developing countries in the preparation and implementation of national programs of action in pursuit of Summit goals, cosponsors or helps plan regional conferences on Summit follow-up issues, and reports regularly to the UN Secretary General on Summit follow-up activities. UNICEF's annual Progress of Nations publication reports on progress achieved each year, based on a set of core indicators.

As the acknowledged leader in the field of child survival and development, UNICEF has made major contributions to reducing infant and child mortality rates in developing nations. Perhaps best-known are UNICEF's emphases on childhood immunization and oral rehydration therapy (ORT). Through its Universal Child Immunization program, UNICEF helped countries achieve the seemingly impossible goal of 80% coverage (by WHO and UNICEF estimates) in December 1990. UNICEF hopes this success will be replicated and improved by attainment of the mid-decade and year 2000 goals.

UNICEF has played a key role in emergencies. In 1989, UNICEF coordinated Phase I of "Operation Lifeline Sudan," the UN's emergency relief effort in southern Sudan. It was also among the first of UN agencies to assist victims of the Gulf conflict, by providing emergency

*INTERNATIONAL ORGANIZATIONS AND PROGRAMS*

and basic health services for women and children. Such assistance served to meet the urgent needs of vulnerable populations in Iraq and Kuwait at a time when bilateral aid was not possible. UNICEF has assumed primary responsibility for assistance projects in the particularly vulnerable Kurdish area of northern Iraq. Likewise, UNICEF is working to alleviate conflict-induced conditions in the Horn of Africa and in the former Yugoslavia. Under the coordination of DHA, UNICEF has assumed responsibility in the current Rwanda emergency for water and sanitation, health, unaccompanied children and orphans, non-food relief items, and education and psycho-social needs.

## INTERNATIONAL ORGANIZATIONS AND PROGRAMS

## UN/FAO WORLD FOOD PROGRAM (WFP)

## PROGRAM SUMMARY

*(DOLLARS IN MILLIONS):*

	1994 Actual	1995 Estimate	1996 Request
IO&P	3.000	3.000	2.500

**Program Definition and Objectives:** As the principal vehicle for multilateral food aid within the UN system, the World Food Program (WFP) uses commodities and cash donated by member countries for social, economic, and environmental development and humanitarian relief. WFP was established in 1963 under the joint sponsorship of the UN Economic and Social Council and the Food and Agriculture Organization. It operates exclusively from voluntary contributions by member states. Commodities are distributed: (1) to support development projects designed to help developing countries produce or purchase their national food requirements, (2) for protracted refugee and displaced persons projects, and (3) as emergency food assistance in situations of natural and man-made disasters. WFP is also one of the largest sources of funding for activities in developing countries aimed at the environment and spends approximately US\$ 1 million per day in food aid on forestation and soil conservation projects, and activities to promote environmentally-sustainable agricultural production.

Development projects have traditionally constituted two-thirds of WFP's overall program. That proportion has rapidly declined to less than one-half as emergency and protracted refugee situations have mushroomed. WFP now faces unprecedented demands for emergency humanitarian food aid in various conflict zones, and in the African continent, in response to civil strife and severe drought. The dramatic growth in WFP's responsibilities for emergency feeding programs has increased WFP's administrative costs.

WFP development projects include nutrition programs, such as school feeding and programs for pregnant and nursing mothers, as well as food-for-work projects. Food-for-work projects mobilize the unemployed for such tasks as clearing land, soil protection, planting forests, and building roads, schools, and hospitals. Laborers are paid, at least in part, with foodstuffs. WFP has also targeted food aid to those most adversely affected by reductions in food subsidies as a result of structural adjustment programs.

WFP is a prime instrument through which the U.S. Government provides multilateral food aid to afflicted populations around the world. Through P.L. 480 and Section 416(b), the U.S. donates its agricultural commodities, specifically labeled "a donation from the people of the United States," to the WFP for use in development projects and relief operations. As a highly respected international food aid agency, WFP often helps to achieve humanitarian objectives, such as the distribution of food relief in conditions of civil war, which would not have been possible through U.S. bilateral channels. With WFP now under the leadership of an American Executive Director, Catherine Bertini, U.S. reliance on the agency to respond to humanitarian emergencies is increasing.

*INTERNATIONAL ORGANIZATIONS AND PROGRAMS*

**Funding Request:** For the 16th Biennium (CY 1994-1995), WFP set an overall target for the Regular Program of \$1.6 billion, one-half in commodities and one-half in cash. Some of that cash is going to buy more food (\$260 million) or necessary non-food items (\$40 million). The rest covers transportation (\$410 million) and program support (\$100 million). Of the just over \$500 million pledged by the U.S., one-fifth is earmarked for development projects and four-fifths for emergencies and protracted refugee operations.

The U.S. contribution is drawn from the Agency for International Development and the Departments of Agriculture and State. For FY 1994, the U.S. contributed \$393.2 million in cash, commodities and transport through PL 480, Title II, and \$52.2 million in Section 416(b) cash, commodities and transport. U.S. contributions include \$185.2 million in commodities and \$215.6 million in cash for emergency operations, protracted refugee operations, and the International Emergency Food Reserve. U.S. contributions include \$64.8 million in commodities and \$33.8 million in cash to promote development via food-for-work. Included in the U.S. regular pledge was \$3 million in cash for administrative expenses funded from IO&P. The total U.S. contribution for FY 1994 was \$503.3 million, which is about one-third of WFP's operating budget.

WFP Success Stories:

- WFP's overhead (well under 10%) compares favorably with the most efficient domestic charities and stands as a model for other UN agencies.
- WFP has and continues to negotiate access rights for food aid deliveries in the Sudan with both Government and rebel groups.
- Through a memorandum of agreement with UNHCR, WFP has assumed responsibility for provision of food to refugees in areas of conflict, such as Somalia, Iraq, Ethiopia, and the former Yugoslavia.
- WFP alone had the resources and logistics to feed the millions pouring into the refugee camps surrounding Rwanda. In consequence, famine was not added to the list of horrors occurring within the country.
- In all, WFP fed some 47 million people in 1994.
- On the development side, we are beginning to see long-term receivers of WFP food aid in the 1960's and 1970's now graduating to self-sustainability (e.g. NAFTA-partner Mexico and new food exporter India).

## INTERNATIONAL ORGANIZATIONS AND PROGRAMS

## UN AFGHANISTAN EMERGENCY TRUST FUND (AETF)

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS):

	1994 Actual	1995 Estimate	1996 Request
IO&P	2.000	0.500	0.500

**Program Definition and Objectives:** The AETF is the operating budget of the UN Office for the Coordination of Humanitarian Assistance to Afghanistan (UNOCHA). UNOCHA was created in 1988 to coordinate the work of UN agencies involved in Afghan relief and reconstruction, and thereby ensure adequate, cost-effective, and non-duplicative UN programs in war-ravaged Afghanistan.

Afghanistan has been wracked by continuous warfare from 1978 to the present, including nine years of resistance against Soviet occupation and on-going civil war. An estimated one million Afghans were killed during the Soviet occupation, and an additional 20,000 have been killed since the fall of the communist regime in 1992, most of them innocent civilians. In addition, over 2.5 million Afghan refugees have yet to repatriate from Pakistan and Iran, and an estimated 600,000 are presently displaced within Afghanistan. Repatriation and reconstruction are hampered by the estimated 10 million landmines laid by combatants during the war against Soviet occupation. The country's physical and social infrastructure has been shattered by fighting and neglect. Health care and education systems are non-existent in most of the country, and the economy, which was already one of the world's least developed even before the onset of war in 1978, is moribund.

UNOCHA's work is therefore as vital as ever. The coordinated programs of the UNHCR, the UNDP, the World Food Program, UNICEF, and other UN agencies and NGOs are critical to the political stability and economic reconstruction needed to achieve key U.S. objectives in Afghanistan. These goals include keeping the country from becoming a haven and training ground for drug traffickers, radical extremists, and destabilizing regional insurgency movements. Afghanistan is already the world's second largest producer of opium.

UNOCHA compares favorably with other efforts to promote sustainable development because, as an umbrella organization, it focuses and maximizes the efficiency of separate U.S. contributions to several other sustainable development accounts, such as UNDP, UNICEF, and the World Food Program. The U.S. has always been a leading contributor to UNOCHA, and we have consistently used this fact to leverage contributions from other donors.

In 1994, the U.S. ended all direct bilateral assistance programs in Afghanistan, largely because of the difficulty and high operating costs of running an aid program on a cross-border basis (i.e. from Pakistan). The closure of our aid program, which provided \$22 million in assistance in FYs 1993-94, magnifies the importance of our multilateral contributions to advancing our interlinked interests in safe refugee repatriation, political stability, and economic reconstruction.

*INTERNATIONAL ORGANIZATIONS AND PROGRAMS*

**Funding Request:** The FY 1995 request of \$500,000 will help fund UNOCHA's small administrative budget (\$2.9 million per year) and also count towards the much larger consolidated UN appeal for Afghanistan, which is now rolled over annually. The current appeal (which runs from October to September) calls for \$106 million in donor contributions, including \$37.3 million for repatriation and relief programs for displaced persons, \$31.6 million for food aid, and \$18.0 million for demining.

The UNOCHA-led consolidated appeals are chronically underfunded. During the last appeal, for example, UNOCHA received only 60% of the \$59.8 million requested. Leading contributors in terms of direct cash contributions to the AETF follow below. This accounting does not include other (often substantial) contributions to UN agencies or NGOs operating under the UN consolidated appeal.

	<u>CY 1988-93</u>	<u>CY 1994</u>
	(\$ in millions)	
Japan:	\$110.7	-
U.S.:	\$38.0	\$5.2
Sweden:	\$20.4	\$2.2
Canada:	\$9.7	\$0.9
Norway:	\$9.4	\$0.7
Finland:	\$8.5	\$1.1

**A UNOCHA Success Story:** Afghanistan is the most heavily mined country in the world, with an estimated 10 million landmines planted in its fields, arounds its villages, and along its roads and riverbanks. Landmines continue to kill and maim thousands of Afghans every year, and constitute a serious obstacle to safe refugee repatriation and economic recovery. In response to this daunting challenge, the UN Mine Clearance Program for Afghanistan (MCPA) was established by UNOCHA in 1988. It now employs 2,800 people, nearly all Afghans, and provides mine surveying and mapping services, conducts mine awareness training, and oversees forty 32-man mine clearance teams which operate throughout Afghanistan despite the ongoing civil war. The MCPA has identified 113 square kilometers of land requiring priority mine clearance, of which 80 square kilometers remain to be cleared. In 1993, available funding permitted the clearance of 10 square kilometers. The MCPA is widely acknowledged by donors as perhaps the most successful and cost-effective demining program in the world. UNOCHA estimates that it clears mines at an average cost of \$1 per mine, whereas contractors elsewhere are known to charge as much as \$1,000 per mine.

## INTERNATIONAL ORGANIZATIONS AND PROGRAMS

## INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (IFAD)

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS):

	1994 Actual	1995 Estimate	1996 Request
IO&P	0.271	0.000	5.000

**Program Definition and Objectives:** The International Fund Agricultural Development (IFAD) is the UN specialized agency and multilateral lending institution focussed on alleviating rural poverty in developing countries. More than one third of IFAD's \$300 million annual lending program goes to Sub-Saharan Africa, while another third benefits the poorest farmers of Asia. IFAD's own resources are matched by the support of other donors (both bilateral and multilateral) and of recipient governments; total value of projects supported by IFAD averages \$800 million annually.

IFAD is a leading exponent of the participatory approaches to development. Its beneficiaries are those most geographically, socially, and economically vulnerable in poor rural areas. They include ethnic minorities, women (who often cannot own land in their own right) and recently resettled refugees. IFAD works through traditional local groups or encourages the creation of new small groups of beneficiaries. Encouraging participation through small groups not only increases the odds for project sustainability, but also contributes to the strengthening of civil society at its most basic level.

**Collaboration.** Partnership is at the heart of IFAD's institutional character. The partnership between developed and developing countries and the willingness of developing countries to provide substantial financial support make IFAD stand out among other international institutions. IFAD was also designed to be a catalyst within the international donor community for mobilizing resources to benefit the rural poor. Maintaining strong relationships with other multilateral institutions and nongovernmental organizations is an essential part of IFAD's work.

IFAD works to maintain close, synergistic ties with other multilateral lending institutions. While IFAD has consistently focused on poverty and people-centered development throughout its history, other multilateral lending institutions have only recently returned to a poverty focus following their emphasis on other priorities in the 1980s. IFAD'S expertise in designing innovative investment projects for the rural poor is becoming an even more important source of knowledge for these institutions.

In 1994, IFAD negotiated agreements with the Inter-American Development Bank, the Asian Development Bank, and the World Bank's Global Environment Facility which will give the Fund increased opportunities to mobilize resources from these institutions in support of IFAD projects. Similar agreements with other multilateral financial institutions are under discussion.

IFAD shares with the Non-Governmental Organizations (NGOs) a common philosophy of working directly with the poor: like the activities of NGO's, IFAD projects are community-based and people-centered. IFAD works mainly with locally-based NGOs and relies on them

*INTERNATIONAL ORGANIZATIONS AND PROGRAMS*

as partners particularly when initiating activities in a new country or area. In a recent instance, IFAD's first involvement in the new state of Eritrea was through a small project grant to an NGO.

**Management.** During 1994, IFAD management continued implementing major revisions to the project development cycle. Based on ideas from IFAD staff, these changes are resulting in increased responsiveness to beneficiaries as well as significant cost savings. Due largely to this effort, IFAD was able to reduce its administrative budget for 1994 by 13 percent and plans an additional 3.6 percent reduction in 1995. This is a model for other UN organizations.

In July 1994, a team of five independent experts (including the former head of evaluation at the World Bank) completed an assessment of IFAD's work. They concluded that, "In our judgement, the need for IFAD is more pronounced now than at the time it was created." The team agreed that IFAD's mission of targeted lending to the rural poor in developing countries remains a much-needed part of the international development assistance effort. They explained that IFAD's "hybrid mandate (development and funding) resulted in a novel institution and this uniqueness, coupled with the Fund's standing in the international community, remains an extraordinarily powerful tool for development".

**Replenishment Status.** On January 26, 1995, IFAD members approved the terms of the Fund's Fourth Replenishment on a conditional basis. The overall replenishment goal of \$600 million is based on group targets; individual pledges will be confirmed at a later stage.

OECD countries agreed to a target level of \$420 million, based on OPEC members and other developing countries contributing a joint amount of \$150 million. A number of OECD donors informally expressed their willingness to contribute to the remaining \$30 million "gap." The replenishment is linked to a restructuring which will change the way decisions are made in IFAD. When implemented, the new structure will reduce OPEC's role in the Fund and will enhance the role of OECD members, IFAD's major contributors. It will also tie individual members' voting rights more closely to their contributions.

Implementation of the restructuring changes will not begin until the replenishment is "complete." This will occur if individual pledges totalling 90 percent of the OECD target and 85 percent of the OPEC/other developing country target are received by IFAD and certified by the IFAD Executive Board by September 12, 1995. The United States has not yet agreed to maintain our share (based on the previous replenishment), nor have we made a specific pledge.

**Funding Request:** The \$5 million requested for FY 1996 confirms our stated intention to participate in the Fourth Replenishment. The request does not prejudice the level or share of the replenishment that the United States may eventually decide to take, but it will enable the United States to make a first payment in FY 1996 once that decision is made.

To participate in the Fourth Replenishment in a manner consistent with our support for the previous replenishment, the United States would need to provide a total of \$92 million over the replenishment period (three years.) This would maintain our share in the OECD contribution (22 percent) as well as our share in the overall replenishment (15 percent).

IFAD merits the continuation of strong U.S. support. It remains on the cutting edge of sustainable rural poverty alleviation, and it gained unqualified endorsement from a noted group

*INTERNATIONAL ORGANIZATIONS AND PROGRAMS*

of independent experts in 1994. It has not only worked hard to keep administrative budgets low, but has actually achieved real budget reductions in two consecutive years. IFAD uses donor resources efficiently, and all its projects directly address the needs of the poorest. IFAD compares favorably with other institutions promoting sustainable development in these and other respects.

**Success Stories:** Flexibility in adjusting programs to match the changing needs of its target group is a hallmark of IFAD's work. Recent events in Southern Africa bear this out. In June, 1994, IFAD was the first international agency to respond to the concerns raised by the Presidential Mission to the Greater Horn of Africa. Within days of meeting with the delegation, IFAD assembled a team including experts from its sister Rome-based organizations (the UN Food and Agriculture Organization and the World Food Program) and dispatched them to Tanzania. The result is a phased program to link relief and rehabilitation with long-term development. In the initial phase, a \$5 million grant project will help Western Tanzania manage fuelwood use in the face of sudden increase in demand caused by an influx of refugees from Rwanda. IFAD will link this to institutional strengthening for Tanzanian authorities as a basis for a future longer term lending project in the region.

IFAD is also well equipped to deal with regions which have suffered from prolonged conflict, even where the lack of a government prevents IFAD from using its ordinary lending resources. In 1993, IFAD moved quickly to formulate a grant project that would bring the benefits of a very new peace to the poor farmers of Gaza and Jericho. Using a nongovernmental organization (NGO) which was already knowledgeable about and active in the area, and working in close coordination with USAID, IFAD devised a \$12.5 million program to channel credit and inputs to these poor farmers.

By encouraging developing country governments to invest in the rural poor and by demonstrating cost effective strategies to accomplish this goal, IFAD fosters a mutually beneficial relationship between central governments and poor isolated rural communities. In Zimbabwe, for example, IFAD both encouraged the Government to invest in marginal lands ("Communal Areas") and established a project of its own to show how performance of small farmers on these lands could be improved at minimal cost to the central government. The government of Zimbabwe is using IFAD's project as a pilot on which to base a comprehensive national program of marginal area development.

## INTERNATIONAL ORGANIZATIONS AND PROGRAMS

## UNITED NATIONS FELLOWSHIP PROGRAM (UNFP)

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS):

	1994 Actual	1995 Estimate	1996 Request
IO&P	0.250	0.100	0.100

**Program Definition and Objectives:** The UN Fellowship Program (UNFP) places trainees from developing countries in appropriate training programs. It is intended to give nationals employed by their governments the opportunity to broaden their professional knowledge in areas which are of primary importance to the development of their countries.

Funds for this program reimburse U.S. Government agencies for administrative costs incurred in arranging and monitoring the U.S. training of foreign nationals organized through the UN system. The UN agencies that sponsor the Fellows handle tuition and other costs.

The United Nations Development Program (UNDP), the Food and Agriculture Organization (FAO), the International Labor Organization (ILO), the International Civil Aviation Organization (ICAO), and other organizations of the UN system provide from their resources technical assistance in the form of training of individuals in various countries where pertinent expertise is available. When training is provided in developed countries, it has been the practice of the host governments to cover the administrative costs associated with such training. Until the early 1980's, the U.S. Agency for International Development covered these costs, consolidating this activity with its bilateral training efforts. Since 1982, funds have been provided through U.S. voluntary contributions and have been administered through the IO&P account of the Department of State.

Currently, training for selected nationals from developing countries is provided in the U.S. through the U.S. Department of Agriculture (USDA), the Federal Aviation Administration (FAA), the Federal Communications Commission (FCC), the National Marine Fisheries Service (NMFS), and the Bureau of the Census. In 1994, these agencies trained nearly 500 Fellows, with the administrative support costs provided through the IO&P account and supplemented by the five federal agencies involved.

**Funding Request:** The size of the fellowship programs will be determined by the funds available to implement UN programs and by the ability of the United States as the receiving country to cover attendant administrative costs.

- US participation in the UNFP fully complements U.S. bilateral and multilateral development interests.
- Because the program contributes to human resources development in developing countries, it enhances the capacity of recipient countries to assist in their own development.
- The program is the very essence of sustainable human development.

*INTERNATIONAL ORGANIZATIONS AND PROGRAMS*

- The Fellows learn U.S. techniques and become familiar with U.S. equipment and supplies, which promotes the purchase of U.S. equipment for their own countries.
- The Fellows are exposed to U.S. values and to the U.S. way of life.
- UN funds, to which the United States is a major contributor, are expended in our own institutions.

UNEP Success Stories:

In 1994:

- The Department of Agriculture conducted training programs for 274 FAO-assisted trainees from 24 countries.
- ICAO assisted 97 government and industry officials from 16 countries to receive training in the United States under the supervision and direction of the Federal Aviation Administration. Courses included pilot training, radar systems, instructor training, aviation law, aircraft maintenance, and aircraft certification instruction. The training takes place at the FAA academy, colleges, universities, private schools and industry programs.
- ITU-assisted fellows representing 15 countries underwent training sponsored by the Federal Communications Commission. In addition to taking FCC training courses, students participated in private sector training programs.
- The Bureau of the Census provided training to 44 participants under funding from the United Nations and other international organizations in the areas of computer technology, geographic information systems and cartography, data dissemination, census and survey methods, sampling and statistical methods, population statistics, and the management of statistical organizations.

## INTERNATIONAL ORGANIZATIONS AND PROGRAMS

INTERNATIONAL CIVIL AVIATION ORGANIZATION (ICAO)  
AVIATION SECURITY (AVSEC) TRUST FUND

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS):

	1994 Actual	1995 Estimate	1996 Request
IO&P	0.100	0.100	0.100

**Program Definition and Objectives:** The AVSEC Trust Fund supports ICAO efforts to strengthen aviation security, and prevent terrorism and unlawful interference with civil aviation and its facilities. Upon request the program provides assessments, advice, and specialized training of security personnel. The AVSEC fund was established following the destruction in December 1988 of Pan Am flight 103 over Scotland. At that time, the United States took the lead among those calling on ICAO to strengthen its aviation security role and in establishing the AVSEC fund. The destruction of UTA flight 771 over Niger later that same year further emphasized the urgency of the situation.

As the world's leading aviation power, the United States has played a prominent role in strengthening the fund's aviation security activities. The improvement of security for international air travel is of great importance to the United States. As the operator of nearly half of the world's air traffic, the United States is especially vulnerable to illegal acts directed against civil aviation. The AVSEC fund provides assistance to countries to meet basic ICAO standards in the area of aviation security. Enhancement of aviation security benefits all countries, but is particularly important to nations with poorly developed security systems, due to a higher vulnerability to interference with civil aviation and its facilities.

In FY 1996, evaluation visits to countries that have requested assistance, instructional seminars, and follow-up missions are planned. ICAO also will provide model training courses for aviation security personnel to enable states to achieve self-sufficiency in basic aviation security implementation and training.

**AVSEC Fund Success Stories:** The AVSEC has been highly successful in rendering assistance to states in the implementation of ICAO Standards and Recommended Practices (SARPS) on aviation security. Workshops and training activities have also been targeted and undertaken in order to meet deficiencies in programs and procedures. Visits have been made to 67 of the 109 countries that have requested assistance. By the end of 1995, some 90 requesting states will have received the initial visit.

**Funding Request:** The FY 1996 budget request for AVSEC is \$100,000. In 1994, contributions were received from the U.S., Australia, Belgium, and the United Kingdom. France and Canada also provided professional staff for the program. Pledges to AVSEC of more than \$5 million have been made from 17 countries since its inception in 1990.

## INTERNATIONAL ORGANIZATIONS AND PROGRAMS

## UNITED NATIONS POPULATION FUND (UNFPA)

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS):

	1994 Actual	1995 Estimate	1996 Request
IO&P	40.000	50.000	55.000

**Program Definition and Objectives:** The United Nations Population Fund (UNFPA) has lead responsibility within the UN system for providing population assistance to governments in developing countries and countries with economies in transition. UNFPA is the largest multilateral donor organization in the population sector.

In FY-85, Congress enacted the Kemp-Kasten amendment to the Foreign Operations Appropriations Act which prohibits the U.S. Government from providing assistance to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization. This amendment has been reenacted in every Foreign Operations Appropriations Act since 1985. In FY-85, the USAID Administrator reviewed the UNFPA-funded program in China and made a determination that UNFPA was ineligible for funding based on this restriction. As a result, the United States withheld \$10 million of the \$46 million that was allocated to UNFPA in 1985. Each year between FY-86 and FY-92 a similar determination was made with regard to the ineligibility of UNFPA for U.S. funding because of the Kemp-Kasten amendment, and no funding was provided.

In FY-93 and FY-94, the USAID Administrator again reviewed UNFPA's program in China under the terms of the Kemp-Kasten amendment and determined that U.S. funding would not be in violation of U.S. law.

The Clinton Administration acted to restore U.S. participation in the multilateral donor community by providing a contribution of \$14.5 million in FY- 93. In FY 1994, the U.S. contribution was increased to \$40 million, and in FY-95 Congress appropriated up to \$50 million.

UNFPA assistance directly complements bilateral assistance provided by the U.S. and other governments through support of much-needed programs where the U.S., for streamlining purposes, does not have bilateral programs. Nearly half of UNFPA's program expenditures are devoted to family planning and maternal child and health care services. UNFPA also assists governments in the development and implementation of population and family planning information, education, and communication programs. UNFPA supports projects to create awareness and understanding among policy makers and the public at large about the effects of rapid population growth on economic development. UNFPA, the World Bank and USAID maintain regular contact to coordinate their assistance efforts, and have cooperated in providing census assistance in sub-Saharan Africa, co-funding of country costs for specific demographic and health surveys, and discussion of strategies for meeting escalating contraceptive commodity requirements.

*INTERNATIONAL ORGANIZATIONS AND PROGRAMS*

Recent developments in UNFPA's approach to population assistance mirror similar changes in U.S. international population policy, which are intended to encompass a more comprehensive approach to population programs.

**Funding Request:** UNFPA is at the center of a major international effort to mobilize additional resources for family planning and reproductive health programs urgently. At present, the world is spending approximately \$5 billion annually on family planning programs, of which donors contribute approximately \$1 billion. By the year 2000, according to the Program of Action of the International Conference on Population and Development (ICPD), total global resource requirements for family planning and reproductive health will need to increase to \$17 billion annually, of which donors are expected to cover \$5.7 billion. This rapid increase in estimated global resource requirements is due to two factors:

1. a significant increase in the population being served by these programs, from 450 million currently to around 650 million people in the year 2000.
2. a commitment to broaden the reproductive health services being made available in developing countries. The international community, as reflected in the ICPD Program of Action, is adopting a more comprehensive approach to reproductive health. This new approach emphasizes safe motherhood programs, prevention and treatment of sexually transmitted diseases and prevention of HIV/AIDs -- in addition to the ongoing core support for voluntary family planning programs.

UNFPA Success Stories:

- UNFPA's efforts over the past 25 years have contributed significantly to a major decline in fertility that is unfolding in much of the world. The overall total fertility rate in the developing world has declined from around six children per woman to less than four in only 25 years -- the most rapid fertility change in history.
- UNFPA was the principal organizer of the 1994 United Nations International Conference on Population and Development, in Cairo. The Conference focused the world's attention on critical population issues, and outlined a Program of Action to address them effectively in the context of poverty alleviation, environmental protection and women's rights. Developed and developing nations alike agreed that resources to support this program are urgently needed -- and that inaction would be far more costly.
- UNFPA's impact is felt at the global, national and community levels. Internationally, for example, it has been a key facilitator in "Partners in Population and Development: A South-South Initiative", launched last year by 10 nations. This will enable developing countries to become more self-reliant by sharing experiences, training programs, technical know-how and locally manufactured contraceptive supplies.
- UNFPA has made a major difference in communities throughout the developing world through its support for particular projects like the Jamaica Women's Center. Through education and counselling, the center aims to free young women from the cycle of marginalization and repeated pregnancy.

## INTERNATIONAL ORGANIZATIONS AND PROGRAMS

## UNITED NATIONS ENVIRONMENT PROGRAM (UNEP)

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS):

	1994 Actual	1995 Estimate	1996 Request
IO&P	22.000	16.000	17.000

**Program Definition and Objectives:** As the UN's principal organ on the environment, UNEP plays a catalytic and coordinating role on international environmental issues. Although UNEP conducts some specific project activities, especially in developing countries, its principal focus is to support the collection, assessment and dissemination of environmentally related information. UNEP also facilitates the use of and response to this information by providing advice and training in environmental assessment, regulation and management.

UNEP was established in January of 1973 as a result of UN General Assembly Resolution 2997 (XXVII), which implemented the institutional recommendations of the UN Conference on the Human Environment, held in Stockholm in 1972. UNEP stemmed from a U.S. initiative, and the United States has been the leading contributor -- both financially and technically -- to the Program since its inception.

The UN Conference on Environment and Development (UNCED), held in Rio de Janeiro in June of 1992, reaffirmed UNEP's role as the principal UN body dealing with the environment. UNCED also reiterated the importance of UNEP's long-standing programmatic efforts in environmental assessment, coordination, management and legal matters. In response to UNCED, UNEP's secretariat is making a detailed estimate of the costs of implementing all the UNCED recommendations in which UNEP would play a major role.

Environmental problems are often transboundary or international in character, and multilateral action is therefore required to address them adequately. UNEP is uniquely well placed to stimulate, facilitate and coordinate actions at all levels -- national, regional, and international -- in response to ever more pressing environmental issues. In the aftermath of UNCED, UNEP's role is particularly important in encouraging and supporting the implementation of UNCED's environmentally centered recommendations, as embodied in Agenda 21.

While the United Nations Development Program and its UNCED "seed" fund (Capacity 21) provide a primary source of leverage to promote the pursuit of UNCED's results, only UNEP -- working closely with UNDP -- is currently capable of serving as the environmental "conscience" at the international level to ensure that the environmental dimension is thoroughly incorporated into developmental efforts.

UNEP continues to concentrate its activities in five specific environmental areas of broad concern to the U.S. and the international community: land resource degradation (including desertification and deforestation) and loss of biodiversity; oceans and coastal areas, especially regional seas; fresh water supply and quality; toxic chemicals and hazardous wastes; and atmospheric issues, especially ozone depletion, climate change and acid rain. UNEP also

*INTERNATIONAL ORGANIZATIONS AND PROGRAMS*

continues to provide critical administrative and managerial support for the implementation of important international agreements on the environment.

**Funding Request:** Of the \$17 million requested, \$16 million will be contributed to UNEP's Environment Fund, and \$1 million will go to a variety of other related multilateral environmental activities. These include support for the Vienna Convention and Montreal Protocol to combat stratospheric ozone depletion, the South Pacific Regional Environment Program (SPREP), the Cartagena Convention and its Protocol on Specially Protected Areas and Wildlife (SPAW), the Caribbean Environment Program, and specific conferences or meetings that may be held on subjects closely related to UNEP's activities.

Total contributions to the Environment Fund in 1994 amounted to \$65.20 million. In addition to the U.S. contribution of \$21 million (32%), other significant contributions were provided by: Japan - \$9 million; the United Kingdom - \$6.25 million; Germany - \$5.7 million; Finland - \$3.2 million; Sweden - \$2.7 million; Switzerland - \$3.0 million; Norway - \$2.1 million; France - \$2.0 million; Netherlands - \$1.9 million; Italy - \$1.3 million.

**UNEP Success Stories:** UNEP was the first to focus international attention on the pressing global environmental problems of stratospheric ozone depletion, transboundary movements of hazardous waste, and the loss of biological diversity – especially the extinction of wild species of plants and animals. UNEP organized and sustained intergovernmental negotiations on these issues and brought them to a successful conclusion. Of the resulting agreements, the Vienna Convention and its associated Montreal Protocol address stratospheric ozone depletion, the Basel Convention regulates transboundary movements of hazardous waste, and the new Biodiversity Convention provides an international framework for efforts to reduce and halt the irreparable loss of species diversity. UNEP continues to support the implementation of these agreements, as well as a wide range of others, including the Convention on International Trade in Endangered Species (CITES). UNEP also helps implement conventions that address climate change and combat desertification.

Important and unique UNEP programs include those dealing with environmental information and reduction of toxic exposure. The EARTHWATCH program organizes the collection, processing and dissemination of environmental data through its component activities: the International Register of Potentially Toxic Chemicals (IRPTC), the Global Environmental Monitoring System (GEMS), Global Resource Information Database (GRID), and the environmental information retrieval system (INFOTERRA). The cleaner production program and its associated International Cleaner Production Information Clearinghouse (ICPIC) provide a critical source of information on less polluting industrial processes, encouraging their dissemination and facilitating their use. The program of Awareness and Preparedness for Emergencies at Local Level (APELL) helps countries set up the crucial capability to minimize the risk of major chemical accidents and to respond effectively to those that do occur.

UNEP is one of the three founding organizations of the International Program on Chemical Safety, and organized the Stockholm Conference on Chemical Safety in 1994 which established the Intergovernmental Forum on Chemical Safety. UNEP developed critical Guidelines for the Exchange of Information on Chemicals in International Trade, and further refined them with provisions for Prior Informed Consent to govern exports of toxic chemicals. UNEP continues to update and strengthen these guidelines, and would provide the support needed for any negotiations that may take place on converting them into a convention.

*INTERNATIONAL ORGANIZATIONS AND PROGRAMS*

UNEP's regional seas program has led to conventions on pollution prevention in the Mediterranean as well as environmental programs in the Caribbean and South Pacific regions. UNEP has also forged guidelines on the reduction of pollution of coastal marine environments from land-based sources, and will sponsor a major international conference in the U.S. in November to address this issue.

## INTERNATIONAL ORGANIZATIONS AND PROGRAMS

**MULTILATERAL FUND FOR THE IMPLEMENTATION  
OF THE MONTREAL PROTOCOL**

**PROGRAM SUMMARY**

*(DOLLARS IN MILLIONS)*

	1994 Actual	1995 Estimate	1996 Request
IO&P	15.000	20.750	27.250

**Program Definition and Objectives:** Depletion of the stratospheric ozone layer caused by human emissions of ozone depleting substances (ODS) has weakened the Earth's shield against ultraviolet radiation, damaging ecosystems and threatening increased skin rates of skin cancer and immune suppression.

The world has met the threat of ozone depletion head-on through two international agreements - the 1985 Vienna Convention for the Protection of the Ozone Layer and its 1987 Montreal Protocol on Substances that Deplete the Ozone Layer. The Protocol, which controls the use of ozone depleting substances and promotes the use of safer substitutes, is already having a beneficial effect on the stratosphere. In February 1993, ozone levels over North America and most of Europe were 20% below normal. During the 1993 Austral Spring the ozone values in the "ozone hole" over Antarctica were the lowest ever recorded. However, the International Ozone Assessment, released in August 1994, confirmed that the Protocol is reducing the impact of human-caused emissions of ozone depleting chemicals. Scientists predict that stratospheric concentrations of these ozone depleting chemicals will peak in 1998, then slowly decline, allowing the ozone layer to recover during the first half of the next century.

The United States was the principal force pushing for international action to protect the ozone layer. Our success in galvanizing international action in this effort has been remarkable. The Vienna Convention and Montreal Protocol have been ratified by about 140 countries, comprising more than 90% of the world's population and nearly 99% of its production of ozone-depleting substances. The seven-member Ozone Secretariat, based in Nairobi, administers both the Convention and the Protocol. The Montreal Protocol is also a key supplement to the considerable efforts the United States has taken domestically to phase out ODS use, since these efforts would be useless if other countries did not take similar measures.

Ozone depletion is a global threat; actions taken anywhere in the world to reduce that threat affect us all. Therefore, the Montreal Protocol parties established a Multilateral Fund to support developing countries' conversion to alternative substances, and ensure these countries' commitment to a reduction in their use of ODS. The Fund finances developing country phaseout by paying the incremental (extra) costs of conversion over a 10-year grace period. After an interim phase, the Fund was set up on a permanent basis at the Fourth Conference of the Parties (COP) at Copenhagen in 1992. It is financed by voluntary contributions from largely developed country Parties based upon the United Nations scale of assessments.

The Multilateral Fund enjoys near-universal support internationally. It is administered by a lean staff of nine professionals. The projects the Fund helps finance have a direct effect on one

*INTERNATIONAL ORGANIZATIONS AND PROGRAMS*

of our most pressing global environmental problems. The approximately \$285 million approved so far already is bringing tangible results in reduced emissions of ODS.

Budget planning for the Fund is made on the basis of three-year periods. For the second triennium (1994-1996), the parties agreed to a \$510 million budget. The Fund Secretariat considered (1) the needs of the eligible developing country Parties; (2) the capacity and performance of the implementing agencies (World Bank, UNDP, and UNEP, later joined by UNIDO); and (3) the strategies and projects to be implemented by eligible developing countries.

In response to an Executive Committee request, the implementing agencies assessed their own capacity and that of their clients to undertake projects within the 1994-1996 time frame. Based upon their response, the Secretariat recommended a \$510 million budget for 1994-96; it was approved by the Executive Committee and by the Fifth Meeting of the Parties in Bangkok in November 1993. The budget took into account and rolled over \$55 million unspent from the first triennium, meaning that assessments were to be based on an actual replenishment of \$455 million.

There is reason to question whether the budget adopted was adequate. It was significantly less than the amount recommended by EPA in a study done by EPA on the needs of 39 developed countries then eligible. Nearly 100 countries are now eligible for Fund assistance. Moreover, recently the countries with economies in transition (CEITs -- the former East Bloc) have been unable to contribute their 15% share of the Fund budget and could conceivably need financial assistance themselves to meet their Protocol obligations. However, it was generally assumed that \$510 million was the maximum figure that the principal donors would be willing to support for the triennium. Indeed, the United States considered the approval of this figure a victory, which our delegation worked hard to achieve.

Funding Request: At one-quarter of the total, during the 1994-96 triennium the annual U.S. share of the Fund budget was agreed to be \$38 million, with (by interagency agreement) half each to come from State and EPA.

As the United States was the principal advocate of a higher end budget and a vigorous program of ozone reduction, failure to uphold our financial obligations under the Montreal Protocol would undermine U.S. credibility in future Protocol financial negotiations, as well as jeopardize our ability to elicit cooperation on other environmental issues. Moreover, shortfalls in promised assistance might lead developing countries to abrogate their Protocol commitments. It is extremely important for the United States to ensure that these phaseout commitments are not called into question. Failure to initiate ODS reduction projects at the earliest possible moment will increase peak chlorine loading levels and stretch out the time over which degradation of the zone layer will occur. Analysis demonstrates that early project implementation in developing countries will mean less eventual demand on fund resources.

Multilateral Fund Success Stories:

The Multilateral Fund has brought about successful conversions of foam blowing, refrigerator manufacturing, and solvent-using facilities in many countries. The Fund has underwritten projects which have achieved reductions through recycling of halons and chlorofluorocarbons (CFCs). When fully implemented over the next three years, currently approved Fund projects

*INTERNATIONAL ORGANIZATIONS AND PROGRAMS*

are expected to reduce the use of ODS in developing countries by about 47,000 tons -- one-quarter to one-third of those countries' use of these substances.

U.S. industry has also benefitted from the Protocol. American companies are among the world leaders in ODS substitutes in a wide range of applications. It has been estimated that, for every dollar spent by the United States in multilateral assistance institutions, \$1.40 is earned by U.S. firms and organizations. Given U.S. leadership in ODS reduction technology, our rate of return on Montreal Protocol contributions should be even higher.

Finally, the Protocol broke new ground by implementing the incremental cost concept. This tool limits funding to that level necessary to ensure that the beneficiary faces no extra cost for converting to non-ozone-depleting substances, while ensuring that the Fund does not underwrite a benefit derived from the conversion. Thus the limited resources available can be used to achieve the greatest possible level of ODS reduction.

## INTERNATIONAL ORGANIZATIONS AND PROGRAMS

## UNITED NATIONS CENTER FOR HUMAN SETTLEMENTS

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS):

	1994 Actual	1995 Estimate	1996 Request
IO&P	0.400	0.300	0.300

**Program Definition and Objectives:** The United Nations Center for Human Settlements (Habitat) is the U.N. body which coordinates and implements all U.N. human settlements activities. Habitat is responsible for coordinating the Global Strategy for Shelter (GSS) – the major global program for shelter adopted by the UN General Assembly in 1988. The GSS calls for the establishment of an "enabling" legislative and regulatory environment which can facilitate accelerated improvement and construction of housing in general, particularly for the urban and rural poor. The GSS forms the basis of the Centre's work, outlined in the Medium-Term Plan for 1992-1997.

The U.N.'s Committee on Sustainable Development designated Habitat as the task manager for the implementation of the human settlements components of Agenda 21, which was adopted by the U.N. Conference on Environment and Development (UNCED) in 1992. At its 14th Session in April/May 1993, the Commission on Human Settlements, the governing body of UNCHS, made important revisions to the Medium-Term Plan for 1992-1997, more comprehensively integrating Agenda 21 components into its work plan.

In keeping with the recognition of the critical role of human settlements in environment/development discussions, the 47th Session of the U.N. General Assembly (resolution 47/180) called for the convening of the U.N. Conference on Human Settlements (Habitat II), which will be held in Istanbul, Turkey in June 1996.

The focus of Habitat II will be the provision of adequate shelter for all and sustainable development in an urbanizing world. Habitat II, which was dubbed "The City Summit" by the UN Secretary General in his opening address at the First Preparatory Committee meeting, will seek to:

- place urbanization at the top of international and national development agendas;
- promote new policies and strategies for urban management;
- promote new methods for implementing the Global Strategy for Shelter and assuring adequate housing for the poor;
- help solve the fast-growing range of urban environmental problems;
- highlight needs and opportunities for investment in infrastructure and services.

Habitat's work in promoting sustainable human settlements complements and supports USAID's core mission of sustainable development. USAID has also focused on the critical nature of urban development, which is a major emphasis of the new Environment Center within the Agency's Global Bureau. In addition to its work with the Housing Indicators Program, USAID has actively participated in Habitat's multi-agency Urban Management Program and has

*INTERNATIONAL ORGANIZATIONS AND PROGRAMS*

collaborated with Habitat on implementing numerous national and regional development activities.

Within the category "Protection of Global Environment" in the 1996 International Organizations and Programs (IO&P) budget, Habitat provides the expertise and technical capacity for monitoring and coordinating U.N. efforts on the environmental and developmental impacts of urbanization. Habitat provides an important perspective on dealing with urbanization as a critical element of Agenda 21 implementation. Habitat has successfully developed multi-agency initiatives that facilitate cross-sectoral approaches to settlements management, i.e. the UNDP/World Bank/Habitat Urban Management Program (UMP) and its operational arm in the environmental field, the Sustainable Cities Program. These programs provide local authorities and their partners in the public, private and community sectors with improved planning and management capacity.

**Funding Request:** Although the level of USG funding requested for Habitat remains the same as in FY-95, this request level does not diminish in any way the increasing importance of urbanization to development and the opportunities offered by the Habitat II Conference. Over 50% of the families in the developing world live in urban areas. Thus, for U.S. and other donors, national development is increasingly and inextricably linked to the challenges and opportunities presented by urbanization and urban environmental needs. The growing understanding of the positive and negative implications of such urbanization has been highlighted by the inclusion of the Office of Urban Programs in the newly formed USAID Environment Center.

One of the five strategic objectives of USAID's new Environment Center is to "promote the process of sustainable urbanization and reductions in environmental pollution from urban and industrial sources." Thus, Habitat II will be an opportunity for senior USG officials to deliberate and exchange views with their counterparts on a subject increasingly important in USAID strategy. Habitat II will also play a critical role in not only finding solutions to urban environmental degradation, but also in forging the critical political commitment to deal with the issues.

USG participation in Habitat II will allow us to present and explain our current and proposed urban programs in a large, publicized, and visible forum. The U.S. Delegation will also have an excellent opportunity (1) to influence the nature and composition of developing country efforts to deal with their urban and related environmental problems and (2) to ensure the highest possible degree of synergy and coordination between the U.S. bilateral, MDB and other donor programs aimed at these same problems.

In the broader context, UNCHS (Habitat) will necessarily have a continually increasing role in the implementation and monitoring of human settlements programs. The focus of many of the various sectoral programs flowing from UNCED's Agenda 21 will be on human settlements, and especially on cities and towns, where these sectoral programs will have to be coordinated, managed and implemented.

**UNCHS Success Stories:** An important initiative of UNCHS is a joint effort with the World Bank to identify and develop housing and urban indicators. The Housing Indicators Program has been designed to identify key measures that are policy-sensitive, easy to collect and that can be updated on a regular basis. These indicators provide an important diagnostic tool to

*INTERNATIONAL ORGANIZATIONS AND PROGRAMS*

measure housing sector performance. As well, they provide a management tool for stakeholders in the public and private sectors to enable them to identify policy imperatives to address the pressing problems of housing.

Countries have been called upon to use these indicators as the basis for their preparation of national reports for the Habitat II Conference. The baseline data made available by such a national preparatory process will prove invaluable for national governments to better monitor and review the performance of the housing sector and to gauge progress in attainment of national goals. USAID has assisted in the development of the indicators and is utilizing them to measure the performance and impact of its shelter and urban development programs.

## INTERNATIONAL ORGANIZATIONS AND PROGRAMS

## THE INTERNATIONAL UNION FOR THE CONSERVATION OF NATURE (IUCN)

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS):

	1994 Actual	1995 Estimate	1996 Request
IO&P	1.000	1.000	1.000

**Program Definition and Objectives:** The International Union for the Conservation of Nature (IUCN) Program has three basic goals: (a) the development of understanding of the nature of the Earth's living systems, their responses to human impact, and their capacities to withstand human use; (b) the definition of the nature and causes of human impact on the environment and on ecosystems, and of the social context for sustainability; and (c) the provision of information, advice, methods, demonstrations and services that will help communities achieve sustainable living.

The focus of IUCN's work is in the broad field of applied ecology. The organization, both through its network of expert volunteers working within the Commission system and through its Secretariat, brings together a unique assemblage of knowledge about the world's ecosystems and species, their dynamics, status and potential to support human needs. No other organization in the world brings together expertise on species conservation and on the management of protected areas as IUCN does. The maintenance of this core of specialist knowledge is an important part of its overall program strategy.

The United States has a vital interest in helping the developing nations stabilize their economies and become full and effective trading partners in the international marketplace. To achieve this goal, the developing nations must implement land and water management practices based on sustainable use principles. The United States also has a vital interest in conserving the integrity and diversity of the natural world and to ensure that human use of natural resources does not threaten the long term viability of the human community. In many areas of the world, local and even national economies are in severe stress as a result of the unsustainable exploitation of natural resources.

Desertification and mass migration have resulted from overgrazing and excessive groundwater exploitation. Flooding and the associated destruction of agricultural production has resulted from deforestation. Inappropriate surface water development has increased flooding losses, increased human health problems, destroyed commercial fisheries, and reduced agricultural production. Wetland drainage directed to increasing agricultural production has often produced short term gains and long term losses as a result of decreased groundwater recharge, increased soil erosion, and decreased soil fertility. In addition, because wetlands often are nurseries for commercial fisheries as well as the source of other commodities, economic activity is often further reduced. IUCN's program, aimed at securing the conservation of nature, particularly its biodiversity, and helping communities achieve stable, productive, and sustainable economies, is also a primary goal of the United States. IUCN's recent work has contributed to this goal by helping developing countries design their National Conservation Strategies and devise and demonstrate methods for the sustainable use of national environmental resources.

*INTERNATIONAL ORGANIZATIONS AND PROGRAMS*

This has included programs to improve environmental impact assessment, development of environmental law, environmental education, and site specific and country specific land and water use management planning.

IUCN has identified three major issues which will be addressed:

- Planning for conservation and sustainable development.
  - a) Conservation Strategies.
  - b) Promoting understanding of gender roles in natural resources management.
  - c) Promoting and enhancing the integration of population and natural resources issues.
  - d) Evaluating the impact of global change.
- Conserving biological diversity.
  - a) Preparing and implementing strategies for conservation of biological diversity.
  - b) Conserving species.
  - c) Conserving and managing wetlands, forests and coastal and marine habitats.
  - d) Establishing and managing protected areas.
  - e) Translating ecological processes into practical tools for conservation, sustainable management and restoration.
- Providing conservation services.
  - a) Environmental Impact Assessment.
  - b) Developing Environmental Law.
  - c) Biodiversity Information and Monitoring.

IUCN has site specific and country specific programs and projects which address the above objectives. The programs and projects are located throughout the developing world.

Success Stories:

The Okavango Delta in Botswana contains the world's largest inland body of fresh water and is the home of one of the world's greatest nature reserves. This huge game reserve, rising out of the vastness of the Kalihari Desert, teems with wildlife including lions, cheetahs, buffalo, wildebeests and many other species. This unique natural treasure was threatened with ecological disaster by the Government of Botswana's plan to dredge the main river and build a mammoth reservoir. An IUCN team conducted a technical review of the project which documented the potential environmental hazards of the project and also concluded that the Government's needs could be met by a much smaller reservoir. The revised project plan, which was accepted by the Government, achieved a balance between the economic development needs of Botswana while at the same time preserving the natural heritage of the Okavango.

Two IUCN teams helped advance Sustainable Forestry Management in Sri Lanka. Critics of the Sri Lankan Government's forestry master plan claimed that it would lead to the degradation of ecologically and economically important "wet zone" forests. The IUCN teams conducted an independent assessment of the plan and proposed alternatives. These missions resulted in the

*INTERNATIONAL ORGANIZATIONS AND PROGRAMS*

establishment of an Environmental Management Component of the forestry plan and a more effective approach to the sustainable use and conservation of the forest resource.

## INTERNATIONAL ORGANIZATIONS AND PROGRAMS

INTERNATIONAL TROPICAL TIMBER ORGANIZATION (ITTO)  
PROJECT ACCOUNT

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS):

	1994 Actual	1995 Estimate	1996 Request
IO&P	1.000	1.000	1.000

**Program Definition and Objectives:** The International Tropical Timber Organization (ITTO) is the only international forum for engaging both producing and consuming countries in efforts to address all aspects of the tropical timber economy, including sustainable management of production forests.

The International Tropical Timber Agreement (ITTA), 1983 was established by the 1983 United Nations Conference on Tropical Timber to provide a forum in which producing and consuming countries could cooperate in finding solutions to problems facing the tropical timber economy. The 1983 agreement entered into force in April 1985 and became operational in 1987. Negotiations on a successor agreement to the ITTA, 1983, which was to expire in March 1994, were successfully concluded in January 1994. The 1983 agreement will continue in effect until the ITTA 1994 is brought into force. The US signed the ITTA, 1994 on July 1, 1994 at the UN Treaty Office in New York.

The Agreement currently has 52 parties (including the EU) representing 90 percent of world trade in tropical timber and 80 percent of the earth's tropical rainforests. The ITTA is administered through the International Tropical Timber Organization (ITTO), which seeks to promote improved forest management, better market transparency, and efficient forest industry. U.S. priorities include increasing transparency of the tropical timber market; promoting research, development and implementation of practices for sustainable management of sources for internationally traded tropical timber; and encouraging national policies aimed at sustainable forest management.

ITTO pursues its objectives through a Council comprised of all parties and three permanent committees open to all parties. The committees correspond to ITTO's priority interest areas of reforestation and forest management, forest industry, and economic information and market intelligence.

ITTO administration is funded by annual assessments on member governments. ITTO carries out its primary operational programs through a special project account supported by voluntary contributions from member countries. Donor countries may determine which projects they will support. To date, the majority of ITTO-funded projects have related to sustainable forest management. U.S. contributions have supported several pilot projects in this area, as well as projects related to training, institution building, inventory of forest resources, and development of forest management plans.

*INTERNATIONAL ORGANIZATIONS AND PROGRAMS*

The ITTO also undertakes policy and other non-project activities. The organization is the first to have adopted a definition and criteria for sustainable management of production forests. ITTO also has adopted guidelines for the sustainable management of natural tropical forests, and plantations, as well as guidelines for the conservation of biological diversity in production forests.

ITTO uniquely serves U.S. interests as the only international forum for engaging both producer and consumer countries of tropical timber, as well as forest industry and environmental nongovernment observers, in efforts to improve the management of tropical production forests. ITTO's recognition of the timber market's dependency on sustainable harvesting links U.S. trade interests with U.S. priorities for forest conservation. This is epitomized by ITTO's commitment to "Objective 2000" — the goal of having internationally traded tropical timber come from sustainable sources by the year 2000.

President Clinton identified renegotiation of the ITTA and commitment to the ITTO Year 2000 Objective in his Presidential Decision Directive of November 5, 1993, in which he committed the U.S. to the "national goal of achieving sustainable management of U.S. forests by the year 2000." As part of the successful negotiation of a new ITTA in January 1994, consuming countries of the ITTO participating in the negotiations released a separate statement committing themselves to the objective of maintaining, or achieving by the year 2000, the sustainable management of their respective forests.

In FY 1996, the ITTO should begin operations under the better focused and strengthened ITTA, 1994. The organization is expected to continue its innovative work toward achieving the objective of having traded tropical timber come from sustainably managed forests by the year 2000. A key exercise during this period will be the Fall 1995 benchmark review of progress toward "Objective 2000." In this regard, we expect the controversial issue of country reporting to be clarified and regularized. We also expect the ITTO's work to continue in three other important areas: the further definition of "sustainable management" and its practical application in the tropics; increased transparency in the international timber market; and the examination of how market-oriented approaches can be used to obtain ecologically sound and sustainable timber production.

**Funding Request:** As of the end of 1994, estimated cumulative pledges by consumer countries to ITTO's voluntary project account totaled over \$98 million. Of the major donors, Japan's estimated pledges exceed \$66 million; United Kingdom - \$6 million; Switzerland - \$5 million; United States - \$4 million; France - \$2 million; and the Netherlands, Denmark and Italy - \$1 million each.

**Success Stories:** The ITTO has played a pioneering role in developing and adopting guidelines on the sustainable management of tropical forests and tropical forest plantations, and biodiversity conservation in tropical production forests. U.S. project funding has aided in the worldwide dissemination of these guidelines as well as the training of state and private forestry organizations in their implementation. In 1989, at the invitation of the Government of Malaysia, the ITTO sent an independent Mission to Sarawak to assist in strengthening its forest management practices to attain sustainable development. Mission recommendations are being implemented by Sarawak authorities including the reduction of timber production to a sustainable level. The ITTO has also promoted and funded the establishment of a transboundary nature reserve totalling about 1 million hectares of forests straddling the

*INTERNATIONAL ORGANIZATIONS AND PROGRAMS*

Indonesian/Malaysia border on the island of Borneo. This transfrontier nature reserve is perhaps the biggest of its kind in the tropics.

## INTERNATIONAL ORGANIZATIONS AND PROGRAMS

CONVENTION ON INTERNATIONAL TRADE IN ENDANGERED SPECIES  
OF WILD FAUNA AND FLORA (CITES)

## PROGRAM SUMMARY

*(DOLLARS IN MILLIONS):*

	1994 Actual	1995 Estimate	1996 Request
IO&P	1.000	1.000	1.000

**Program Definition and Objectives:** The Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) provides the only global mechanism for protecting endangered species of wildlife and plants from over-exploitation in international trade, as well as promoting their conservation. The Convention was concluded after Congress, in response to strong public support, directed the Administration (in the Endangered Species Act) to negotiate an international agreement to prevent over-exploitation of wildlife. The founding conference was held in Washington, D.C. in 1973.

CITES is now the key instrument for international wildlife conservation, with 127 countries party to the convention, including most major producers and consumers.

CITES' primary objectives are the identification of over-exploited species and the implementation of trade controls to protect those species. Other notable accomplishments include: (1) designation of wildlife authorities for the first time in many countries; (2) development of guidelines for the safe shipment of live specimens of plants and animals; (3) preparation of a species identification manual for use by customs officials at ports of entry; (4) improved standardization of documentation, annual reporting on worldwide wildlife trade and information on requirements to amend listings of endangered and threatened species; (5) more effective trade controls for specimens such as elephant ivory, rhinoceros horn, whale products, reptilian leather, exotic plants and rare birds; (6) improved acquisition and exchange of wildlife trade data and statistics; and (7) improved cooperation among Party members in conservation of endangered species.

U.S. contributions to the CITES trust fund support meetings of parties and certain operations of the Secretariat such as enforcement of the Convention's trade regulations and identification of appropriate levels of trade control. The trust fund is administered by the United Nations Environment Program (UNEP), which provides the staff and administrative support for the Secretariat.

The U.S. contribution will support Secretariat efforts in several important areas. Most important will be continuing studies of elephants and other animals, such as the South American caiman, and plants, such as some species of cacti which may warrant trade protection under CITES. These studies will clarify the status of subject species and determine levels of trade control, if any, needed. In addition, the Secretariat will pursue its work with producer governments to develop domestic implementing legislation for improved enforcement of trade controls, and will continue to assist member parties with general implementation of convention provisions as necessary. Both the American public and other countries look to the United

*INTERNATIONAL ORGANIZATIONS AND PROGRAMS*

States to remain in the vanguard of international conservation and preservation of endangered plants and animals.

All countries, including the United States, benefit from CITES protection of the endangered and potentially threatened species of wild plants and animals which represent the world's irreplaceable living resources. The Convention was concluded after Congress, in response to strong public support directed the Administration (in the Endangered Species Act) to negotiate an international agreement to prevent over-exploitation of wildlife.

The United States has been actively involved in CITES since its inception. Such participation provides the primary vehicle for U.S. leadership in an area of wildlife protection having unusually broad international acceptance of common policy goals and complements U.S. implementation of the Convention domestically through the Endangered Species Act. U.S. participation is also a principal means by which U.S.-based conservation and trade organizations exert influence internationally on wildlife issues directly through the U.S. Government. The U.S. hosted the Ninth Conference of the Parties to the Convention in November 1994.

Funding Request: U.S. contributions to the CITES trust fund support meetings of parties and certain operations of the Secretariat such as enforcement of the Convention's trade regulations and identification of appropriate levels of trade control. The trust fund is administered by the United Nations Environment Program (UNEP), which provides staffing and administrative support for the Secretariat. Major donors include: U.S., Japan, Germany, France and the United Kingdom.

CITES Success Stories: CITES facilitates private American commercial ventures in wildlife. Farming and ranching of some endangered species have resulted in successful breeding of certain animals, such as the American alligator, and their subsequent removal from endangered status. Such actions substantially benefit U.S. producers and traders.

## INTERNATIONAL ORGANIZATIONS AND PROGRAMS

## CONVENTION ON WETLANDS OF INTERNATIONAL IMPORTANCE (RAMSAR)

## PROGRAM SUMMARY

*(DOLLARS IN MILLIONS):*

	1994 Actual	1995 Estimate	1996 Request
IO&P	0.750	0.750	0.750

**Program Definition and Objectives:** The RAMSAR Convention is the only international treaty which addresses the conservation of a specific type of ecosystem. Wetlands have often been considered as wastelands to be avoided or converted to other uses. Recognition of the direct economic importance of wetlands in the production of fish, timber, and other products as well as their importance in such areas as controlling floods, recharging groundwater, and in bio-remediation of pollutants has emerged only recently.

The international recognition of the importance of wetlands is reflected in the growing number of nations that have acceded to the RAMSAR Convention. Over seventy nations are now Contracting Parties to the Convention.

During the last few years, the Contracting Parties have recognized that wetlands of international importance are subject to increasing development pressures. This has led the Parties to develop as part of the RAMSAR Bureau efforts new programs to assist the Parties in protecting wetlands. These programs include (1) the Monitoring Procedures, which is a structured survey method which helps identify the problems related to specific designated wetlands and develop measures to solve such problems; (2) the development of sustainable use management plans for wetlands, and (3) the Wetlands Convention Fund, which provides funds for planning, training, surveying, and other costs associated with the planning and management of wetlands. The Wetlands Conservation Fund is financed by voluntary contributions from the Parties and other interested individuals and organizations.

Wetlands have values that benefit the international community. These benefits include fish and wildlife habitat, flood control, groundwater recharge, and water quality maintenance. It is estimated that 80 percent of the world recreational and commercial fisheries are dependent on wetlands for spawning, nursery areas, and food sources. They also serve as natural reservoirs and are important in protection of the quantity and quality of surface and ground water, including those used as a source of drinking water and as a buffer to flooding. As a leader in promoting sustainable development of natural resources, the United States can promote the acceptance of its policies and land use ethics by supporting the RAMSAR Convention. In addition, most of the U.S. migratory birds are, for some portion of their life cycle, dependent on wetlands located in other countries. Also, many of the U.S. commercial fisheries are partially dependent on coastal wetlands in other nations. The RAMSAR Bureau's efforts to promote the conservation and wise use of such wetlands will also promote U.S. interests.

The RAMSAR Bureau programs are well defined and no new programs are anticipated at this time. However, the Bureau is strengthening its existing efforts in the areas of monitoring designated wetlands and assistance to those parties which request help in sustainable use

*INTERNATIONAL ORGANIZATIONS AND PROGRAMS*

planning. The Bureau also is focusing efforts in training assistance and in acting as a facilitator for planning the conservation of wetlands that straddle national borders.

**Funding Request:** The FY 1996 budget request is based on the triennial RAMSAR 1994-96 budget approved at the Conference of Parties held in June 1993. The U.S. insisted on limiting the size of the Secretariat and focusing its efforts on defined objectives, particularly capacity building and management planning. To meet the U.S. objectives related to the RAMSAR programs, an annual voluntary contribution of \$750,000 is warranted. Other major contributors include France, Switzerland, the Netherlands and the EEC. In addition to the core budget, the U.S. contributes to special projects such as the Wetlands Fund.

**RAMSAR Success Stories:** Responding to a request for assistance from Costa Rica, the RAMSAR Secretariat assisted in the development of a wise-use management plan for its Cano Negro wetland. The successful implementation of a management plan for this wetland was dependent on maintaining the functional values of this wetland and meeting the economic needs of the local population. Through early involvement of the local leaders and an active public participation program, a plan that provides for commercial harvest of certain wetland species and growing tourism businesses has been developed and is being implemented. These economic uses of the wetland can be sustained without jeopardizing the wetland's unique ecosystem.

## UN FRAMEWORK CONVENTION ON CLIMATE CHANGE (UNFCCC)

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS):

	1994 Actual	1995 Estimate	1996 Request
IO&P	0.250	0.250	3.000

**Program Definition and Objectives:** Global climate change is thought to be the single, most serious environmental threat to our planet. The issue has been high on the agenda of two administrations. In early 1993, President Clinton committed the United States to returning our emissions of greenhouse gases to their 1990 levels by the year 2000. Later that year the President announced a comprehensive Climate Change Action Plan to achieve that objective. The White House is now embarked on a major effort involving a broad range of federal agencies to develop recommendations for dealing with climate change after the year 2000. Domestic actions alone, however, cannot solve the problem. Progress here at home can easily be undone if other nations do not join in a global response.

The United States is engaged in two major international initiatives designed to promote a global response to the threat of climate change: the Intergovernmental Panel (IPCC) on Climate Change and the United Nations Framework Convention on Climate Change (UNFCCC). The UNFCCC builds on the work of the IPCC, providing a global forum in which nations decide what actions to take in response to evolving scientific knowledge.

The IPCC and the UNFCCC represent the front line of the global defense against the threat of climate change. They are vital to our national interests because the United States alone or even together with its partners in the industrialized world cannot eliminate this threat. Success depends on long-term commitment by all nations, including developing countries and the so-called "economies in transition" -- countries of Eastern Europe and the former Soviet Union. The UNFCCC unites them in global action.

More than 150 nations adopted the UNFCCC at a final negotiating session in May 1992 immediately prior to the Earth Summit in Rio de Janeiro. The United States became the fourth nation and the first industrialized nation to ratify the Convention, which entered into force on March 21, 1994. It has been signed by over 190 countries and ratified by over 115. The first meeting of the Conference of the Parties to the Convention will take place in Berlin in March 1995. At that meeting, the parties will consider next steps to deal with the threat of climate change in the post-2000 era. Since established by the UN General Assembly in late 1990, the negotiating process that led to the UNFCCC and the continuing process to prepare for entry into force of the Convention were largely supported through contributions from the regular UN budget, supplemented by voluntary contributions to two trust funds set up by the General Assembly.

Under the UNFCCC, industrialized countries agreed to adopt specific national policies and measures to mitigate climate change by limiting human emissions of greenhouse gases (e.g., carbon dioxide, methane, nitrous oxide) and by protecting and enhancing sinks and reservoirs

*INTERNATIONAL ORGANIZATIONS AND PROGRAMS*

(e.g., forests) of these gases. Developing countries also undertook a series of commitments to deal with this problem. Efforts to date, however, are but a first step toward reaching the Convention's ultimate objective: Stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous human interference with the climate system. Thus, parties to the UNFCCC are considering next steps, even as they work intensively to meet existing Convention commitments. The challenge is to take actions that are appropriate in light of the science and uncertainties about climate change. In these discussions, continuing scientific assessments of climate change are vital to sound policy-making.

**Funding Request:** The FY budget request for the UNFCCC rises from \$0.25 million in FY 1995 to \$3 million in FY 1996 because the UNFCCC has entered into force and the contracting parties must now directly bear expenses previously borne by the United Nations regular budget. In addition, the work of the UNFCCC Secretariat has expanded significantly following adoption of the Convention and its entry into force as the contracting parties have begun specific activities under the Convention.

**UNFCCC Success Story:**

The UNFCCC, negotiated in a mere 15 months, has united over 160 countries in a global effort to respond to the threat of climate change and in the ultimate objective of stabilizing concentrations of greenhouse gases in the atmosphere at a level that would prevent dangerous human interference with the climate system.

## INTERNATIONAL ORGANIZATIONS AND PROGRAMS

## INTERGOVERNMENTAL PANEL ON CLIMATE CHANGE (IPCC)

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS):

	1994 Actual	1995 Estimate	1996 Request
IO&P	0.300	0.400	0.600

**Program Definition and Objectives:** Global climate change is thought to be the single most serious environmental threat to our planet. The United States is engaged in two major international initiatives designed to promote a global response to this threat: the Intergovernmental Panel on Climate Change (IPCC) and the United Nations Framework Convention on Climate Change (UNFCCC). The IPCC, begun in 1988 as a joint effort of the World Meteorological Organization and the United Nations Environment Program, is the most authoritative international assessment body with respect to climate change. The Panel's assessment efforts are crucial to establishing the scientific underpinnings of domestic and international policy decisions on combatting the threat of global climate change, and its findings strongly influence policy debates within and between nations.

The IPCC periodically assesses the science and the impacts of climate change, options for adapting to climate change and for mitigating it by reducing emissions of greenhouse gases, and the costs and benefits of response options. The United States spends about \$1.8 billion a year on its own global change research effort through the U.S. Global Change Research Program (USGCRP). The IPCC periodically reviews the findings of U.S. research under this program, as well as of the scientific research of other nations and international organizations, in an effort to establish a global consensus on the science and uncertainties of climate change. Such continuing scientific assessments are vital to sound policy-making under the Climate Change Convention. The Panel's First Assessment Report (FAR) in 1990 in fact led the U.N. General Assembly to set up a process for negotiating the UNFCCC. The IPCC's 1992 Interim Assessment largely confirmed and supplemented its earlier findings and served as an important input into the negotiations.

The IPCC was restructured in 1992 to involve scientists and experts from developing countries and economies in transition in all phases of its work. This restructuring proved vital to greater understanding of climate change throughout the world and increased acceptance of the Panel's findings among nations which often saw climate change as a remote problem with little direct effect on themselves. The restructuring won praise and strong support for the IPCC from those countries, but it also contributed to a doubling of the Panel's annual budget, which currently stands at about \$5 million.

With more than 200 scientists already involved, the IPCC is working to complete its second scientific assessment cycle. The resulting Second Assessment Report (SAR) will cover three broad areas: the science of climate change; impacts and response options (which alone will account for more than half of the approximate total of fifty chapters); and a cross-cutting analysis of economics and other issues. The SAR is scheduled for completion in late 1995. In 1996 the Panel will start work on its Third Assessment Report (TAR), which is expected to

*INTERNATIONAL ORGANIZATIONS AND PROGRAMS*

provide additional updates on climate change issues, and offer a basis for analyzing how the world's nations contribute to the increasing concentrations of greenhouse gases in the atmosphere.

**Funding Request:** The increase in the FY 1996 budget request for the IPCC will enable it to bring scientists and experts from developing countries and economies in transition into its work and ensure wider acceptance of its findings.

**IPCC Success Story:** The IPCC's First Assessment Report on the science and impacts of, and response options for dealing with, climate change -- released in 1990 -- led the U.N. General Assembly to establish a process for negotiating a Framework Convention on Climate Change by 1992 -- which occurred.

## INTERNATIONAL ORGANIZATIONS AND PROGRAMS

INTERNATIONAL CONTRIBUTIONS FOR SCIENTIFIC,  
EDUCATIONAL & CULTURAL ACTIVITIES (ICSECA)

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS):

	1994 Actual	1995 Estimate	1996 Request
IO&P	2.000	2.050	2.050

**Program Definition and Objectives:** To support U.S. participation in UNESCO-related international scientific, educational, and cultural organizations engaged in work considered essential and important to U.S. interests.

The United States withdrew from the United Nations Educational, Scientific and Cultural Organization (UNESCO) in December 1984. Since 1986, the U.S. Government has supported selected UNESCO-related activities, considered to be in the national interest, through the ICSECA program, formerly known as International Conventions and Scientific Organizations Contributions (ICSOC). This has enabled the United States to participate in selected key activities within UNESCO's multilateral programs and to take initiatives that served the interests of the American educational, scientific, cultural and communications communities.

The programs proposed for funding promote sustainable development, including the protection of the global environment, support the free press, and develop electronic networks of data storage and retrieval. Most were U.S. creations within UNESCO that continue to play an important role internationally but need continuing U.S. support to work effectively: The Intergovernmental Oceanographic Commission (IOC), the Man and the Biosphere Program (MAB), the International Hydrological Program (IHP), the International Geological Correlation Program (IGCP), the Physics Action Council (PAC), and the Intergovernmental Program for the Development of Communications (IPDC).

**The Intergovernmental Oceanographic Commission (IOC):**

The IOC, a functionally autonomous unit within UNESCO, is responsible for promoting and coordinating international marine science activities of its member states on a global scale. It is supported by UNESCO and contributions from IOC member states.

The Global Ocean Observing System (GOOS) is a U.S. priority activity carried out through the IOC. It collects ocean data relevant to climate change and environmental monitoring. The GOOS is expected to provide the oceanographic component of a Global Climate Observing System as proposed by the Second World Climate Conference and endorsed by the UN Conference on Environment and Development (UNCED).

Several IOC programs contribute to the U.S. Global Change Research Program (GCRP). This program was designed to provide the scientific basis for national and international policy decisions on natural and human-induced changes in the global earth system.

## *INTERNATIONAL ORGANIZATIONS AND PROGRAMS*

There are a number of other IOC activities of high priority to the United States: the IOC Panel on Harmful Algal Blooms; the IOC Global Investigation of Pollution in the Marine Environment (GIPME); The IOC International Coordination Group for the Tsunami Warning System in the Pacific (ITSU); the IOC Technical Committee for International Oceanographic Data and Information Exchange; the ICSU/IOC World Data Center System for Oceanography; the IOC/WMO Integrated Global Ocean Services System; and the IOC Global Sea Level Observing System (GLOSS).

A contribution of \$520,000 is necessary to maintain effective U.S. participation in the IOC and to benefit from IOC's role in support of climate and global change research and the Global Ocean Observing System.

### The Man and the Biosphere Program (MAB)

The MAB program plays a significant leadership role in the protection of the global environment and the development of international scientific activities, especially in the creation of an ecological information system to monitor global change. ICSECA funds have been used as seed money to form the core of the U.S. MAB committee's capability to provide this scientific leadership. U.S. participation in the MAB program enables U.S. Government agencies and American scientists to acquire data not available elsewhere and to cooperate in the development of new resource management techniques for ecosystems of particular interest to the United States. Support in the amount of \$385,000 is necessary to maintain U.S. influence within the MAB Secretariat and to direct MAB research toward programs of interest to the United States.

### International Hydrological Program (IHP)

Since their inception in 1965, UNESCO-sponsored international scientific cooperative programs in water resources have advanced the protection of the global environment by substantially improving the scientific and technological basis for the development of methodology and human capacity for the rational development and management of water resources. Building on the accomplishments of the past 25 years, the IHP emphasizes the role of water-resources management and applied hydrological science in sustaining development and coping with anticipated changes in climatic and environmental conditions. These are areas of critical concern to U.S. water resource interests domestically and internationally.

The IHP program undertakes studies and promotes standards and cooperation among UN specialized agencies and nongovernmental organizations that provide the United States with information on water resources worldwide, including in such politically sensitive places as Israel, Jordan, the West Bank and Gaza. A contribution of \$100,000 per year is necessary for the United States to remain active and effective in key IHP projects.

### Physics Action Council (PAC)

Established by UNESCO in 1993 at the strong urging of the American Physical Society, the Physics Action Council promotes the widest possible participation of the world's physicists in the international physics enterprise. It is organized into working groups on Large Physics Facilities, Communications Networks for Science, and University Physics Education and is currently engaged in encouraging the access of all of the world's foremost high-energy

## INTERNATIONAL ORGANIZATIONS AND PROGRAMS

physicists in the work and operations of the European Center for Nuclear Research (CERN). A contribution of \$15,000 is necessary for the Physics Action Council to continue its work effectively.

National Academy of Sciences

A grant to the National Academy of Sciences (NAS) in the amount of \$775,000 would support the following programs:

- A. International Council of Scientific Unions (ICSU) and ICSU Bodies. Through the NAS grant, special contributions will provide support to several ICSU activities vital to the protection of the global environment:
- 1) The ICSU Grants Program. This program provides support for workshops, training courses, information exchanges, international conferences, and research activities sponsored by the scientific unions of the ICSU and other ICSU bodies. The program supports scientific projects in these areas: The International Lithosphere Program, the ICSU/SCOR Committee on Climate Changes and the Oceans, the ICSU/WMO World Climate Research Program, the ICSU Committee on the Teaching of Science and capacity building activities, the Federation of Astronomical and Geophysical Services, and biodiversity projects (workshops and studies) via IUBS and SCOPE. A contribution of \$235,000 is necessary.
  - 2) International Geosphere-Biosphere Program: Implementation and Coordination. Initiated by ICSU in 1986, this comprehensive, long-term program aims to describe and explain the interactive physical, chemical and biological processes that regulate the total earth system, the unique environment that this system provides for life, the changes that are occurring in the system, and the manner in which these changes are influenced by human actions. The operational phase of the program is being initiated through implementation of a half-dozen multi-disciplinary core projects. There are increasing linkages to the World Climate Research Program (WMO and UNESCO/IOC) and the Human Dimensions of Global Environmental Change Program. Partial support of the international coordination of this program, now budgeted by ICSU at over \$1.0 million per year, would be provided by an award of \$145,000 to the U.S. member of ICSU, the National Academy of Sciences.
  - 3) Natural Hazards Program (NHP). This UNESCO program is of major importance to U.S. scientists and has received increased support following the UN establishment of the International Decade for Natural Disaster Reduction (IDNDR). In collaboration with other international governmental and nongovernmental organizations, NHP promotes cooperative efforts on the assessment, prediction, and mitigation of natural hazards such as earthquakes, volcanic eruptions, tsunamis, floods and landslides. Support in the amount of \$90,000 is necessary to continue geological/geophysical projects through the appropriate international scientific unions and the ICSU Special Committee for the IDNDR.
  - 4) International Geological Correlation Program (IGCP). This program directs the attention of geologists to projects on mineral and petroleum deposits and correlates data on geological strata, sedimentary and quaternary research projects, and standards for geological maps and earth science projects. This program provides important contributions to the IGBP (recovery of environmental records) and the International Space Year (remote

*INTERNATIONAL ORGANIZATIONS AND PROGRAMS*

sensing activities), both of which are of high interest to the U.S. The IGCP, which is managed jointly by the International Union of Geological Societies and UNESCO, oversees some 60 active projects. There are close links to activities of the International Lithosphere Program. A contribution of \$90,000 is necessary for continued participation.

B. Other Non-Governmental Scientific Bodies and the International Nongovernmental Cooperative Research and Training Programs. This continues project support to a number of U.S. professional organizations that advance the protection of the global environment through activities linked to various UNESCO science programs. In certain cases, support goes directly to the international non-governmental organizations to support a variety of activities of benefit to the U.S., including those sponsored by the International Social Science Council, the Microbiological Resources Centers, the Pacific Science Association, the Union of International Technical Associations, the World Federation of Engineering Organizations, the American Chemical Society, the International Clearinghouse on Science and Math Instruction, the International Center for Theoretical Physics, the International Clearinghouse for the Advancement of Science Teaching, the International Organization for Chemical Sciences in Development, the American Association of Museums, the U.S. Committee of the International Commission on Monuments and Sites, the American Council of Learned Societies, and other international scientific, educational, and engineering organizations. A contribution of \$215,000 to support the work of international nongovernmental organizations via U.S. affiliates is necessary.

International Libraries, Archives and Science Documentation Program:

This activity sets standard for and provides data on international library, information and archival activities. The U.S. contribution strengthens U.S. participation and leadership in key research areas and in the development of international information policies and standards favorable to U.S. interests. These include trans-border data flow, security of data transmitted internationally, and exchange of scientific and technical information. Access to effective data storage and retrieval systems is a key element of sustainable development. Continued U.S. participation is of particular benefit to the American information storage and retrieval industry. A contribution of \$175,000 per year is necessary.

UNESCO Private Sector Communications Programs

UNESCO vigorously promotes an independent, pluralistic, and free press as an essential element in the development and maintenance of democracy. Among the programs being supported by UNESCO is the Central-Eastern European Media Center in Warsaw. The Center was founded to support the transformation of the information systems of the countries of Central and Eastern Europe in accordance with the principles of free and democratic societies and to foster the development of an independent, pluralistic mass media. A contribution of \$10,000 is necessary to continue support for the Center.

UNESCO's Intergovernmental Program for the Development of Communication (IPDC) also sponsors projects to promote an independent press. Recent social and political changes in Africa have encouraged the emergence of privately-owned newspapers and magazines committed to independence and freedom of expression. This independent press is contributing to greater openness and management of public affairs. The IPDC project on development of

*INTERNATIONAL ORGANIZATIONS AND PROGRAMS*

the independent press in Africa is of key importance. A contribution of \$35,000 is necessary to support this program and other UNESCO private-sector programs promoting an independent, pluralistic and free press.

UNESCO Copyright

The Book and Copyright division of UNESCO has developed a unique database on copyright legislation of particular interest to the USG. A contribution in the amount of \$35,000 is necessary to maintain and update the data base and to produce an English language version of it.

**Funding Request:** The FY 1996 budget request for UNESCO-related projects of \$2.050 million should be considered within the context of advancing U.S. policy goals by promoting sustainable development, including the protection of the global environment, and the free flow of information. UNESCO's programs funded on an assessed basis in these areas are effective but underfunded and warrant a U.S. voluntary contribution of \$2,050,000.

UNESCO Success Stories:

The United States withdrew from UNESCO in December 1984 because of the Organization's excessive politicization, poor management and long-term lack of budgetary restraint. Since the election of Federico Mayor as Director General in 1987, UNESCO has made major progress in solving these problems.

- Perceived at one time a proponent of a controlled media, UNESCO now vigorously promotes a free, independent, and pluralistic press.
- The Interagency Committee on Sustainable Development appointed UNESCO "Task Manager" to implement two chapters of Agenda 21: Chapter 35, "Science for Sustainable Development," and Chapter 36, "Promoting Education, Public Awareness and Training." UNESCO has provided leadership in mobilizing projects in these areas; for example:
  - UNESCO has programs in place for training thousands of scientists and engineers annually, for promoting environmental and population education and for organizing intergovernmental cooperation in support of research and data sharing on the oceans, biological diversity, freshwater and the earth sciences.
- Education programs for girls and women, organized by UNESCO, are an effective element in overall strategies to address global population problems.

## INTERNATIONAL ORGANIZATIONS AND PROGRAMS

## WORLD HERITAGE FUND

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS):

	1994 Actual	1995 Estimate	1996 Request
IO&P	0.450	0.450	0.450

**Program Definition and Objectives:** The World Heritage Fund (WHF) was established under the Convention Concerning the Protection of the World Cultural and Natural Heritage (Convention) of 1972. The Convention's purpose is to recognize the world's most important and unique heritage sites, from the standpoint of biological diversity and sensitivity, and irreplaceable cultural significance, to influence the actions of governments to assure the protection of these sites, and to provide, through WHF, the financial assistance necessary to assist in this purpose.

The Convention was adopted in 1972, as a result of U.S. initiative and leadership. The Convention, whose adoption corresponded to the centennial of Yellowstone National Park, has been called an extension to the international level of the national park idea; a uniquely American contribution to world culture.

By recognizing a shared international interest in unique natural and cultural heritage sites, the Convention brings significant public attention to bear on the status of these properties. The Convention creates obligations for Member States with respect to their own actions toward designated sites in their territories, and with respect to their own actions that may affect designated sites on the territory of other Member States.

In its U.S. implementing legislation (P.L. 96-515), specific additional legal responsibilities are created for the Secretary of the Interior to assure the protection of World Heritage sites in the U.S., and their environment. The law obliges the heads of all agencies of the Executive Branch to consider the impact of their actions on World Heritage sites located in other countries. This is the only specific legislative requirement for environmental impact assessment of USG actions in other countries.

The Convention actively monitors the condition and integrity of World Heritage sites, and reports threats to those sites to the Convention's Committee, which the U.S. currently chairs.

Seriously threatened sites are entered on the List of World Heritage in Danger, which is becoming an internationally recognized barometer of the condition of the world's most important ecological and cultural zones.

The World Heritage Fund has provided support to States Parties who have expressed an interest in conserving their sites. Grants are made for technical cooperation projects, emergency assistance, training of staff, and preparing nominations.

*INTERNATIONAL ORGANIZATIONS AND PROGRAMS*

In 1992, the 20th anniversary of the Convention, the U.S. led and actively participated in a substantive review of the Convention's work, and produced a strategic plan to improve its operations in areas of perceived weakness. The Committee is currently incorporating this strategy into its operating procedures.

WHF continues to play a vital international role in environmental conservation, advances U.S. interests in these global values, and has been called a keystone of our international environmental conservation program. It is currently the largest membership international conservation Treaty, with 146 member countries. This growth of membership, in just 16 years of operational existence, is unprecedented among conservation instruments.

WHF has rescued from serious threat, and is addressing serious threats at, numerous biologically sensitive sites in all regions of the world. The Convention's combined "carrot and stick" approach, i.e., international recognition of sites and assistance grants with legal obligations of signatories, has proven to be an effective one to date.

Funding Request: The U.S. contribution of \$450,000 represents 18.5% of 1994 contributions. Other major contributors include Japan (\$381,040); United Kingdom (\$153,590); Germany (\$273,187); and France (\$183,567).

WHF Success Stories: IUCN, which serves as natural heritage advisor to the Convention has documented 20 examples of protected natural areas in which serious threats have been successfully addressed, and resolved as a result of the Convention's actions.

The WHF played a major role in resolving a threat to the World Heritage site of Glacier Bay National Park and Preserve, a unit of the U.S. National Park System. By raising the international visibility of the site, and by recalling obligations of the Canadian Government as a State Party, the Convention influenced decisions in Canada not to proceed with an open pit mine, whose drainage would have threatened the Park.

## INTERNATIONAL ORGANIZATIONS AND PROGRAMS

**WORLD METEOROLOGICAL ORGANIZATION (WMO)  
VOLUNTARY COOPERATION PROGRAM (WMO/VCP)**

**PROGRAM SUMMARY**

*(DOLLARS IN MILLIONS):*

	1994 Actual	1995 Estimate	1996 Request
IO&P	2.250	2.250	3.000

**Program Definition and Objectives:** Since its inception at U.S. behest in 1967, the World Meteorological Organization's Voluntary Cooperation Program (WMO/VCP) has provided training and equipment to help developing countries improve their meteorological and hydrologic services and enable them to enhance their capability to collect, use, and exchange weather data. The WMO/VCP helps developing countries participate in WMO programs, particularly the World Weather Watch (WWW), which provides continuous, real-time, two-way communication of vital atmospheric and oceanic data and products. This gives all nations (including the U.S.) the basic information needed to forecast severe weather events and assist with critical information on natural and man-made disasters that affect life, safety, water use, or crop yields around the globe. The WWW program supports civil aviation, marine navigation, and other related programs of WMO, such as the World Climate Program (WCP). The WCP monitors global climate conditions, promotes the understanding of climatic trends, and in conjunction with WWW, provides vital data and information for international agreements, such as the Framework Convention on Climate Change and the Desertification Convention.

In particular, starting in 1996, WMO/VCP programming will support a major project for the Americas and the Pacific Rim, in connection with the U.S. responsibilities with regard to the ICAO/WMO World Area Forecast System, to convert the existing antiquated meteorological telecommunications systems to a much more reliable satellite-based system. An increase in VCP funds is requested for this effort in order to leap-frog the existing technology and provide improved two-way communications with other meteorological services, especially in increasing the flow of data and products between the U.S. and other countries. The upgrading of the communications networks will improve our early warning capabilities in the Americas, which will help save lives and lessen the damage to property.

Over \$25 billion worth of damage and 24 lives were lost during Hurricane Andrew (1993) in the U.S. alone, which might have been reduced with earlier warnings to give more time for pre-storm civil preparedness. In addition to assisting the U.S. in tracking and forecasting tropical cyclones, the new linkages will make other meteorological services aware of the need to continue the free and unrestricted exchange of meteorological and related data and products, which is a key U.S. foreign policy goal.

In the execution of the WMO/VCP, close coordination is maintained with other international, regional, and bilateral partners, such as the United Nations Development Program (UNDP), the Food and Agriculture Organization (FAO), the United Nations Environment Program (UNEP),

*INTERNATIONAL ORGANIZATIONS AND PROGRAMS*

the World Bank, and the European Economic Community, to ensure the WMO/VCP is complementing, not competing with, their efforts.

**Funding Request:** In 1994, the pledges to the WMO/VCP amounted to approximately \$8 million, of which \$2.25 million was contributed by the U.S. The total WMO/VCP program is expected to be about \$9 million in 1996. In 1994, the top five donors were: U.S. (\$2,250,000); United Kingdom (\$1,507,776), France (\$647,000), Finland (\$450,000), and the Russian Federation (\$387,300). Overall, 24 countries made contributions to the WMO/VCP.

As part of a 5-year project, an increase in VCP funding is requested to replace antiquated telecommunication networks for environmental data, as described above. The total cost is projected to be \$12.8 million, with contributions expected from other sources, including Finland. The timing of the project is critical in that it seeks to take advantage of an improvement in data and product dissemination under an ICAO and WMO program as well as to demonstrate the practical advantages of a critical U.S. policy supporting free and unrestricted international data exchange. The bulk of the U.S. contribution will be spent in the U.S. for equipment and experts.

In addition to the major project to upgrade meteorological telecommunications, WMO/VCP funds will continue to be used for:

- sponsored graduate education (meteorology and hydrology) and specialized and advanced training courses (in hydrology, aviation meteorology, and satellites).
- Contributions of U.S. manufactured meteorological and hydrological equipment for enhancing the capacity and role of developing countries in environmental issues, such as ozone monitoring and climate change detection, which creates a natural market in the recipient countries for the purchase of U.S. spare parts and supplies.

**WMO/VCP Success Stories:** In support of improved climate predictions, detection of climate change, and the negotiations that have taken place on the Framework Conventions on Climate Change and the Desertification Convention, the WMO/VCP has made concerted efforts to obtain and preserve climatological data from the atmosphere, ocean, and land surface through the CLICOM program and through the Data Rescue (DARE) program for researchers. Both these programs received support from the United States. They have succeeded in producing and distributing climate data that have been applied to water resources, agricultural, and other socio-economic sectors affected by climate variations and climate change -- all of which has improved our understanding of the climate system and our ability to predict its behavior.

## INTERNATIONAL ORGANIZATIONS AND PROGRAMS

**WORLD METEOROLOGICAL ORGANIZATION (WMO)  
SPECIAL TRUST FUND FOR CLIMATE AND ATMOSPHERIC  
ENVIRONMENT ACTIVITIES  
(CAEA TRUST FUND)**

**PROGRAM SUMMARY**

*(DOLLARS IN MILLIONS):*

	1994 Actual	1995 Estimate	1996 Request
IO&P	0.800	0.800	0.800

**Program Definition and Objectives:** This Fund was established in 1989 to support the demand for short-term scientific studies and activities in climatology and environmental sciences which respond to the needs of the Intergovernmental Panel on Climate Change (IPCC), the environmental conventions, and other calls for environmental data and information that could not be included in the normal WMO four-year budgeting process.

The Fund has been instrumental in initiating and coordinating short-term studies and analyses to respond to policy questions related to international environmental conventions on ozone, climate change, and desertification; in establishing new basic systems for global assessments of climate change as input to the assessments of the IPCC; and in developing sustainable developing indices related to the implementation of Agenda 21. Activities are closely coordinated with the UN and other agencies to avoid duplication .

In 1996, the CAEA Special Trust Fund will be used to:

- Set international standards and calibration criteria for, and increase the quantity and quality of observations of, greenhouse gases and atmospheric radiation, especially ultraviolet (UV) levels related to the amounts of stratospheric ozone. All global information on greenhouse gases and atmospheric radiation come from observations coordinated through WMO. UV amounts, which are now being forecasted, are directly related to human health issues in all countries.
- Enhance efforts to quantify and predict the future availability of fresh water. WMO has the lead responsibility within the UN system for predictions in this area. This includes operational activities, since the sooner drought or fresh water shortages are known, the quicker policy makers can develop solutions.
- Support development of internationally agreed global and regional environmental indicators for both climate change and sustainable development. These indicators will be based upon integrated, global observation systems, such as the WMO's World Weather Watch and its Global Climate Observing System.

**Funding Request:** For 1996, the United States proposes to contribute \$800,000. The United States has strongly supported the CAEA Special Trust Fund since its inception because U.S. policy makers recognize the benefits obtained from long-term monitoring, research, and training of professionals, which contribute to the health of the economic and social structure of

*INTERNATIONAL ORGANIZATIONS AND PROGRAMS*

societies. The strengthening of national capabilities in these areas not only helps countries understand the issues better, but also makes previously unavailable data available to U.S. policy makers. Pledges to the Trust Fund in 1994 amounted to \$1.9 million, of which the U.S. contributed \$800,000. Other major contributors include Canada and The Netherlands. We understand that Finland, Japan, Germany, and the United Kingdom are considering donations to the fund. Several small nations have also contributed nominal amounts.

Success Stories: The Fund has been instrumental in supporting workshops on atmospheric radiation and greenhouse gases, as well as specialized activities to enhance global observation networks such as the Global Climate Observation system, the Global Atmospheric Watch, and the World Weather Watch. The data and information gathered through these activities has been used by the IPCC and negotiators of the environmental conventions in their assessments and deliberations.

## INTERNATIONAL ORGANIZATIONS AND PROGRAMS

ORGANIZATION OF AMERICAN STATES (OAS)  
DEVELOPMENT ASSISTANCE PROGRAMS

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS):

	1994 Actual	1995 Estimate	1996 Request
IO&P	11.000	11.000	11.000

**Program Definition and Objectives:** OAS development assistance programs further U.S. interests in strengthening democracy, free trade, market-oriented economic policies, and sustainable development in the Western Hemisphere. Contributions fund intra-regional cooperation to strengthen local institutions and accelerate economic development; support needed technical training and other educational opportunities in the Americas; and foster scientific and cultural cooperation. In FYs 1995 and 1996, OAS programs are being refocused to more directly further the objectives set forth at the Miami Summit.

The 20th Special General Assembly in Mexico City in February 1994 reoriented OAS development assistance to promote partnership among member states. This new orientation gives special emphasis to complementing members' own development policies and initiatives, by concentrating on the following priority areas:

- Trade liberalization, increased market access, and economic integration;
- Support for education;
- Rational use of natural resources and preservation of the environment;
- Scientific development and access to technology;
- Strengthened public and judicial administration;
- Generation of productive employment; and
- Preservation of cultural and linguistic identity.

Former Colombian President Cesar Gaviria, a dynamic and energetic new Secretary General, assumed office in September, 1994 and is pressing implementation of this new approach along with a restructuring of the OAS Councils which oversee assistance programs. The U.S. is playing an active role in the restructuring process. By early 1996, the Secretariats for technical cooperation -- Economic and Social Affairs (CIES) and Education, Science and Culture (CIECC) -- will merge into the Council on Integral Development (CIDI). The change aims at increasing efficiency, eliminating duplication, and substituting an emphasis on cooperation and shared responsibility for the traditional focus on North-to-South aid flows. This new method of technical cooperation has been named the Partnership for Development. The following

*INTERNATIONAL ORGANIZATIONS AND PROGRAMS*

multinational projects are examples of what will be considered for execution by the new development structure:

Regional Cooperation in Trade and Sustainable Development:

This program will continue support for feasibility studies on integral development and environmental protection in specific regions, including Central America, the Amazon Basin, and the Caribbean. These studies provide the groundwork for large-scale projects which seek funding from the international financial institutions and the private sector. OAS development assistance funds will also support the Foreign Trade Information System (SICE), a computerized trade information system which continues to expand and support development of the hemispheric free trade area envisioned by the Summit. Tourism development, an industry especially vital to economic development in the Caribbean, will also be funded.

Regional Educational Development Program:

The OAS annual meeting of Ministers of Education adopts educational policies as well as projects which stress improving the quality of education. This high level ministerial involvement and commitment gives the OAS a comparative advantage in the field of educational policy and innovation. At the 1994 meeting, Ministers chose to concentrate on Basic Education and Education for Work. In basic education, the OAS programs will focus on identification, testing, consolidation and generalization of educational innovations. The Education for Work program will focus on designing programs to retrain workers from the public sector, parastatal enterprises and private companies who are out of work as a consequence of privatization and/or technological advance.

Regional Scientific and Technological Development Program:

The program plans to concentrate on addressing the following areas: new technologies for development, technological management and services, scientific and technological integration, and support for innovation. Several activities have already been proposed including: (1) a multinational project on the environment to reduce chemical and bacteriological pollution of food and water for domestic consumption, and promote sustainable industrial application of biotechnology; (2) expansion of previous successful efforts at increasing inter-regional communication through Internet by expanding interactive services to libraries and data bases containing specialized information and participating in experiments and simulations that can be conducted jointly and by remote control; and (3) a program directed at small and medium industry to build on the experience of the quality networks already existing in food and textiles by expanding these to other industries, linking businesses and technical and standards institutes to promote quality assurance and certification of laboratories.

**Funding Request:** The FY 1996 budget request of \$11.0 million represents a refocusing of resources to deal more directly with priorities agreed upon at the Summit of the Americas and those of the reform-minded Secretary General. The priorities of trade, democracy and the environment parallel U.S. priorities and support USG efforts in the Hemisphere.

Success Stories:

*INTERNATIONAL ORGANIZATIONS AND PROGRAMS*

The OAS has been extraordinarily successful in leveraging its technical assistance with funding from external sources, both national and multinational. In 1994, projects administered by the OAS Department of Regional Development and Environment in the amount of \$9.7 million were supplemented with external financing of \$7.6 million.

SICE, the OAS Foreign Trade Information System, has steadily expanded its base of information and added subscribers, and, in 1995, will add information on tariff schedules and export/import data from all countries in the hemisphere. Work is underway on compiling a compendium of regional trade agreements, which will be available to subscribers. SICE is rapidly becoming an important point of focus in supporting implementation of the Summit commitment to create a hemispheric free trade area.

The Inter-University Hemispheric Information Network on Science and Technology (RedHUCyT) has already been able to link most countries in the Hemisphere to Internet through a university node. The success of this effort to date was cited at the Summit of the Americas as an activity countries would like to see expanded. Such expansion will take the form of increasing the scope and access of OAS member states to various information sources as well as to each other.

## INTERNATIONAL ORGANIZATIONS AND PROGRAMS

## INTERNATIONAL ATOMIC ENERGY AGENCY (IAEA)

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS):

	1994 Actual	1995 Estimate	1996 Request
IO&P	30.000	40.000	43.000

**Program Definition and Objectives:** The IAEA was created in 1957 largely at U.S. initiative. It is entrusted with the dual responsibility to promote the peaceful uses of atomic energy and to ensure that assistance provided by it -- or at its request or under its supervision or control -- is not used to further any military purpose.

In carrying out these objectives, the IAEA administers a unique system of international safeguards and provides a broad range of technical assistance in diverse technical areas, such as health, agriculture, and industrial applications of nuclear energy, including nuclear safety, radiation protection, and waste management. Such activities provide a conduit for delivery of research and technical developments form the main programs of the Agency. In addition to direct benefits, technical assistance is important to member states' acceptance of IAEA safeguards.

For the United States, the most critical function of the IAEA is the application of safeguards to nuclear activities to deter, through risk of timely detection, the diversion of material and equipment for nuclear weapons purposes. Actual application of safeguards is conducted on the basis of agreements concluded between the Agency and a member state and approved by the Board of Governors. Safeguards established a critical arms control precedent in that they represent voluntary acceptance by a sovereign state of verification (including on-site inspection within their territory by international officials) of compliance with their international non-proliferation undertakings made in accordance with treaty and/or other obligations. Such on-site inspections have since become a routine part of the verification of arms control agreements.

The Treaty on the Non-Proliferation of Nuclear Weapons (NPT) is the principal international instrument of the nonproliferation regime. Since 1970, when the NPT came into force, the IAEA has been responsible for administering the safeguards required by it. Most IAEA member states have become parties to the NPT, but a few have not adhered to the treaty. Article III of the NPT requires all non-nuclear weapon states party to the Treaty to submit all peaceful nuclear activities under their jurisdiction to IAEA safeguards in order to permit verification of their treaty obligations. All parties to the NPT are committed to require IAEA safeguards on their nuclear exports, a requirement that does not exist under the IAEA statute.

Safeguards are our principal but not exclusive concern with the IAEA. Another fundamental premise of U.S. nuclear non-proliferation policy, which is embodied in Article IV of the NPT, is the commitment to facilitate the exchange of equipment, materials and scientific and technological information for the peaceful uses of nuclear energy. A significant portion of the U.S. voluntary contribution to the IAEA is used to fulfill this obligation. As this IAEA objective is of paramount importance to the vast majority of IAEA member states, continued

## INTERNATIONAL ORGANIZATIONS AND PROGRAMS

U.S. support for technical cooperation is crucial to maintaining support for a strong safeguards system, in addition to the benefits that accrue to U.S. business and interests.

**FY 1996 Funding Request:** Disbursement of the FY 1996 U.S. voluntary request for the IAEA (\$43 million) is projected as follows, subject to necessary adjustments reflecting changing IAEA needs:

-- **IAEA Technical Assistance and Cooperation Fund (TACF) (\$16 million):** The IAEA TACF program's primary objective is to promote the transfer of skills and knowledge relating to the peaceful, safe and efficient application of nuclear technology to member states. Assistance from the TACF is provided to over 80 developing member states in the form of experts, training and equipment across a broad range of activities involving the use of nuclear energy. (In 1994, such technical assistance was resumed for Israel, ending a 12-year hiatus imposed by the General Conference following the Israeli bombing.) Unlike safeguards, which are funded through the regular assessed budget, the TACF is funded by annual voluntary contributions from donor states. In reaction to developing members states' concern about the reliability of funding for technical assistance, the agency has, on an informal basis since the early 1980s, adopted the use of indicative planning figures (IPFs) as a basis of determining the annual TACF budget. IPFs are annual targets agreed on by the major donors for three-year periods. The last agreement was approved in 1992 for the period 1993-1995. In 1995, donor states are expected to set the targets for the next period. Similar to the UN system, the IPF total is then apportioned among member states. Member states then endeavor to pledge their apportioned share. The U.S. endeavors to pledge approximately 25% (its apportioned share) of the IPF for any given year. As the IPF target for 1996 will not be determined until after submission of this request, the \$16 million requested represents 25% of an estimated \$64 million TACF total for FY 1996. The U.S. contribution to the TACF is paid in cash and represents the largest single part of the U.S. voluntary contribution to the Agency (37% in FY 1996).

In addition to its cash contribution to the TACF, the United States also provides "in-kind" assistance to IAEA in the form of services. Examples include:

-- **U.S. Program of Technical Assistance to IAEA Safeguards (POTAS) (\$9.6 million):** POTAS and similar programs in about 13 other countries are key components of the Agency's efforts to develop and apply effective safeguards to increasingly complex nuclear facilities. The proposed budget for POTAS represents a modest \$500,000 increase over the FY 1995 allotment. The externally-imposed policy of zero-real growth (ZRG) coupled with the Agency's increased safeguards responsibilities makes it more difficult than ever for the Agency to develop and procure needed equipment. Each year the number of requests for technical assistance that POTAS receives from the IAEA increases. The modest increase to the POTAS budget will help meet those requests. POTAS, implemented primarily through the International Safeguards Project Office at Brookhaven National Laboratory, began in 1977 as a means to support vital research aimed at the development and transfer of new technology for international safeguards. POTAS draws expertise in safeguards technology from the U.S. public and private sectors. POTAS will continue to address a number of essential safeguards activities, in particular those arising from the need to implement the recommendations from the Agency's program to enhance the effectiveness and improve the efficiency of safeguards ("Program 93+2"). These include technologies needed to implement special inspections, new technology for facilities in states of particular regional security concern, unattended monitoring

## INTERNATIONAL ORGANIZATIONS AND PROGRAMS

systems, and a number of projects to develop and implement advanced safeguards systems for large automated facilities producing and fabricating plutonium. This latter effort is important both to maintain effective international safeguards and to minimize the resource requirements needed to implement them at these new facilities. POTAS supports necessary training for safeguards inspectors and other safeguards staff. In addition, POTAS supports between 20 and 30 (the number varying according to specific Agency needs) U.S. experts who supplement the staff of the IAEA Safeguards Department.

-- Other Safeguards and Non-Proliferation Activities (OS&NP) (\$1.2 million): Funds provided under this account are used to support initiatives which fall outside the purview of POTAS but are related to the development of IAEA safeguards approaches for sophisticated technologies and facilities of specific concern and interest to the U.S. Funds are also used to provide training to developing country personnel directly involved with nuclear policy development in the application of IAEA safeguards and physical protection standards. Implementation of full-scope safeguards in South Africa, Argentina, and Brazil, all of which have substantial nuclear programs, create the need for the U.S. to provide various forms of support for consultations between those countries and the IAEA and for development of safeguards in these countries.

The U.S. Government generally uses these monies to fund directly U.S. programs that have not specifically been requested by the IAEA but which have been recognized as contributing to the Agency's programs, as well as bilateral cooperation activities with selected IAEA member states where such activities will further non-proliferation objectives shared with the IAEA. A small percentage will be reserved to address critical short-term non-proliferation issues that may arise.

-- Footnote A and Model Project Support (\$2.2 million): Footnote A projects are those projects within the technical cooperation program which have been approved by the Board, but for which no funding from the TACF is available. The U.S. contributions are directed to projects that meet U.S. priorities in agriculture, industry, and sustainable development. Model projects are new projects approved by the Board that represent an initiative by the Agency to improve its delivery of technical assistance by improving pre-project planning and project management once implementation has begun. The U.S. will contribute support for the implementation of approximately 20 projects.

-- Training Courses and Technical Support (\$2.2 million): Under direction of the Department of State pursuant to agreement between the Departments of State and Energy, Argonne National Laboratory (ANL) will carry out a number of support activities with the IAEA including the following: hosting of five to six IAEA interregional training courses that focus on peaceful nuclear technologies, including nuclear safety, radiation protection and energy planning; providing technical advice in the selection and implementation of U.S.-supported IAEA technical cooperation projects; maintaining a U.S. experts database; coordinating nomination of U.S. experts attending the numerous IAEA meetings, symposia, and conferences; and maintaining a database which provides U.S. government with accurate information regarding the nature and extent of current and previous U.S. multilateral support (through the IAEA) for individual IAEA member states.

-- IAEA Fellowships (\$1.5 million): After receiving fellowship awards from the agency, IAEA fellows are placed at various member state host institutions. The U.S. approves selection

## INTERNATIONAL ORGANIZATIONS AND PROGRAMS

of all fellows proposed for placement in the U.S., approximately 175-200 per year, and funds the administrative expenses for placing them. Training is sought at a variety of public and private U.S. institutions including universities and industry. A portion of the fellows placed in the U.S. will also receive U.S. funding for a stipend, housing, and board. The duration of fellowships range from a number of days, to one week, to a few months, or one year. The National Academy of Sciences National Research Council places fellows on behalf of USG once they have been approved by an interagency committee.

-- Cost-Free Experts (CFEs) (\$800 thousand): At IAEA request, the U.S. provides experts on a "cost-free" basis in an effort to assist the agency with key program initiatives on a short-term basis where the U.S. has special interests. Historically, U.S. experts have served the agency in a broad range of non-safeguards related program areas including: nuclear safety, waste management, safe transport of radioactive materials, application of isotopes in human health and nutrition, implementation of the Department of Technical Cooperation's model project initiative, the Department of Administration, and software development for information systems.

-- 1996 Entomology Course (\$100 thousand): Every other year the U.S. hosts an IAEA training course on entomology at the University of Florida at Gainesville. The course serves major U.S. interest in controlling devastating insect pests (including those that threaten the U.S. itself).

-- Safeguards Equipment (\$3.2 million): On March 11, 1994, the IAEA issued a formal request for U.S. extrabudgetary support for safeguards equipment totalling \$11,806,700, of which \$8,263,500 worth was eligible for U.S. procurement within the U.S. In FY 1994, the U.S. was able to contribute \$1.673 million. In FY 1995, the U.S. pledged \$4.579 million to contribute to this effort and to environmental sample analysis. IN FY 1996, funds will be used to address remaining unfunded requirements. Additionally, the IAEA has indicated that replacement of the current problem-ridden surveillance equipment with a new, more reliable system and the introduction of additional unattended monitoring equipment to improve safeguards effectiveness and efficiency will require extrabudgetary contributions. The FY 1996 funds will be used to address these needs.

-- Support to Safeguards Planning and Operations (\$1 million): Funding for Safeguards Planning will be used to provide resources for support of long-term planning in the IAEA Department of Safeguards. The changing climate of world events, the anticipated inspections of weapons states, and the potential role in other arms control treaties will require careful planning by the IAEA in order to keep in step. Furthermore, we anticipate the implementation of safeguards strengthening measures from Program 93+2 to require as yet unbudgeted operations funds. We note, for example, that large-scale environmental monitoring will require substantial new equipment that has not been included in the IAEA needs lists. Even operational requirements of a limited program remain unfunded for 1996.

-- Safeguards on Excess Weapons Material (\$2 million): Funding for safeguards on excess weapons material will continue to be used to support IAEA inspections and other safeguards activities related to U.S. storage vaults. In 1994, the U.S. opened two vaults for IAEA safeguards -- at Hanford and Oak Ridge National Laboratory. IAEA inspections of these U.S. facilities began in September 1994. In 1995, the U.S. expects to open a third vault, at Rocky Flats, to inspection. Plans for 1996 are not clear yet, but the Nuclear Weapons Council

*INTERNATIONAL ORGANIZATIONS AND PROGRAMS*

has identified XXX tonnes of highly-enriched uranium and XX tonnes of plutonium excess to U.S. defense needs. Once technical, operational, and weapons data security issues are resolved, the administration expects to make all of this subject to IAEA inspections.

-- **Nuclear Safety (\$1 million):** These funds would be used to support IAEA initiatives that complement our bilateral programs in Eastern Europe and the NIS. The IAEA's unique capabilities and longstanding relationship with these governments enable it to report technical information useful to donor countries as well as the recipients. The U.S. will continue support for the joint IAEA-UN Development Program project to improve radiation protection infrastructures in former Soviet Union countries. U.S. funds would support Agency assistance to countries with the most serious problems. These funds would also support projects that address urgent technical issues, such as: interim, on-site spent fuel storage; seismic analyses to help identify upgrades needed to compensate for poor siting of existing plants; and improved radiation protection measures for countries that need to control radiation sources used in industry, agriculture, and medicine.

-- **Radioactive Waste Management (\$500 thousand):** The IAEA conducts an extensive program in waste management, aimed primarily at the needs of developing member states. It sponsors research and, upon request, provides advisory missions to members to assess needs, review programs, and evaluate available expertise and resources. A special initiative has been undertaken jointly with the UN Development Program to improve waste management infrastructures in the former Soviet Union. A Model Project on improving infrastructures in developing member states is underway. Further, the IAEA is in the process of developing an update, comprehensive body of documents to guide national waste management practices. It also is sponsoring development of an international convention on radioactive waste management, a process launched in 1995. The IAEA has responsibilities to provide technical advice under an international convention to control ocean dumping of radioactive materials. It is participating in an evaluation of past Soviet practices. In this regard, a special initiative was launched in 1994 (to be completed in 1996) to assess the impacts of Soviet dumping in the Arctic Sea. The agency is also participating in assessments of Russian practices that pose major concerns for neighboring states. The U.S. contribution will be used to support the efforts to improve waste management infrastructures, support advisory missions and the Arctic Seas assessment effort, and to develop quality technical advice. This will complement bilateral efforts, for example, with Russia.

-- **Physical Protection of Nuclear Material and Facilities (\$1.2 million):** Reported losses of special nuclear material, and the surprise discovery of quantities of highly enriched uranium and plutonium in countries of the New Independent States heighten concerns that nuclear material may be poorly protected and raises the specter that nuclear material could be obtained or traded by criminal elements and terrorist groups. Nuclear physical security is not a part of the established safeguards regime and is not included in the current advisory missions of the Agency. The international recommendations on physical security (INFCIRC/225/Rev. 3) authorizes the IAEA to provide advice on this topic at the request of Member States. The initial focus should be those New Independent and Baltic states which are not covered by the IAEA/SSD donor support programs for physical protection and nuclear material control and accounting. Other member states also would benefit from this type of advice. At present, however, the IAEA does not have the requisite resources to carry out this task. The U.S. proposes the following:

## INTERNATIONAL ORGANIZATIONS AND PROGRAMS

– Establish IAEA-led advisory teams of three to four persons to survey operating nuclear facilities, research and academic facilities, and provide advice to central governments on physical security measures which should be taken to ensure that nuclear material is protected at levels comparable to the international recommendations contained in INFCIRC/225/Rev. 3.

– Conduct training in-country and on a regional basis using distinct learning techniques on physical protection of nuclear materials at fixed sites and in transport, including threat assessment, intrusion detection, and advances in physical security equipment.

– Provide specific assistance to upgrade existing security and protection measures on-site and develop joint research projects applying security technology to member states with limited resources.

-- **Environmental Sample Analysis (\$500 thousand):** Environmental sampling is perhaps the single most important tool for increasing the ability of the IAEA to detect clandestine activities. While the IAEA is proposing to begin a minimal effort in 1996, funding for operations and sample analysis have not been approved by the member states. U.S. support for operations (considered above) and sample analysis will ensure introduction of this powerful technique and, as appropriate, expansion to utilize more fully its potential.

The IAEA boasts a membership roster of 121 states, many of which provide resources beyond their assessed contributions for technical cooperation and safeguards enhancements. In 1993, the latest year for which audited data are available, the U.S. and 9 other countries provided over 76% of funding for the Technical Assistance and Cooperation Fund (TACF). Total contributions to the TACF totalled \$43.8 million. The U.S. contribution to technical cooperation was \$2.029 million. Other principal donors were: UK (\$741,050), France (\$618,715), Japan (\$407,319), Spain (\$374,584), Australia (\$354,610), Germany (\$342,749), and Canada (\$189,394).

Other technical assistance funds were provided by Japan (\$2,603,092), Germany (\$1,097,678), France (\$1,083,897), and others, while the U.S. provided \$8,827,340. (These figures do not include in-kind contributions.)

**IAEA Success Stories:** In 1994, the IAEA continued to lead international efforts to monitor and respond to the nuclear program in North Korea (DPRK). In March 1994, the IAEA reported to the UN Security Council that the DPRK was in further non-compliance with its safeguards agreement, and in June, the IAEA terminated technical cooperation with that country. Following conclusion of the U.S.-DPRK Framework Agreement, the IAEA successfully undertook inspection activities to monitor the freeze on North Korea's nuclear activities. Despite continued budget constraints due to zero real growth and late payment of assessments, based on preliminary data, the Agency was able to increase inspection days of effort by almost 15% from 1993. Finally, the IAEA completed the bulk of the work on an extensive program to evaluate options to enhance effectiveness and efficiency of safeguards. New proposals resulting from that program will be presented at the March 1995 Board of Governors meeting.

Through its varied activities in nuclear reactor safety for Soviet-designed VVER and RBMK reactors, the IAEA has unlocked a virtual black box of information the West previously lacked. Working closely with recipient countries, the Agency has assisted the NIS and Eastern Europe

*INTERNATIONAL ORGANIZATIONS AND PROGRAMS*

to identify design and operational deficiencies and review completeness and adequacy of proposed improvements; provided a forum for international exchange of information and to reach consensus on safety issues; provided safety services and national and regional technical cooperation programs; assisted the G-24 to consolidate results of national, bilateral, and international safety programs to eliminate gaps and duplication of effort; and served as a consultant for technical and financial decisions in bilateral and multilateral programs to focus assistance.

On the political front, four countries joined the IAEA, and nine signed safeguards agreements under the Nuclear Non-Proliferation Treaty. South Africa was permitted to resume its seat in the General Conference and in the Board of Governors, and Israel succeeded in its long-term efforts to re-affirm its right to receive technical assistance. Over 50 member states have now signed the Convention on Nuclear Safety (at civil nuclear power plants), which was drafted by experts from member states at the IAEA. The IAEA will provide secretariat services for the meetings of the Parties, which will implement the Convention. Discussions began regarding apportionment of safeguards financing, as the present formula (under which the United States pays 28%) expires in 1996.

Functional improvements in the Technical Cooperation Division, including automation and streamlined management practices, have resulted in a greater than 25% increase in the number of fellowships processed for placement over the last two years. The first Model Projects, designed to focus resources for technical cooperation projects in line with overall national or regional development strategies, were begun in 1994. Two that are receiving U.S. funding are: Interregional Infrastructure for Radiation Protection -- identified as a high priority by Radiation Protection Advisory Teams in 1993 and 1994; and a tsetse fly eradication program on Zanzibar Island (Tanzania), which since August of 1994 has already shown a significant reduction in tsetse fly ability to reproduce.

## INTERNATIONAL ORGANIZATIONS AND PROGRAMS

## KOREAN ENERGY DEVELOPMENT ORGANIZATION (KEDO)

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS):

	1994 Actual	1995 Estimate	1996 Request
IO&P	0.000	0.000	22.000

**Program Definition and Objectives:** The Korean Energy Development Organization (KEDO) is the international consortium established to implement aspects of the Agreed Framework signed between the United States and the Democratic People's Republic of Korea (DPRK) on October 21, 1994. The Agreed Framework addresses United States and international concerns about the DPRK's nuclear weapons program and, if fully implemented, will ultimately lead to the complete dismantlement of North Korea's current nuclear program. KEDO's central task is to manage the financing and construction of the light-water reactor (LWR) project in North Korea and to provide heavy oil to the DPRK if North Korea fulfills its obligations under the Agreed Framework. The U.S. will organize and lead KEDO, while South Korea (ROK), and Japan also play central roles.

KEDO is envisioned to coordinate cooperation among interested parties in the international community and to facilitate the financing and execution of projects needed to implement the Agreed Framework. The key countries have decided to cooperate in taking the steps necessary to implement the Agreed Framework consistent with the Charter of the United Nations, the Treaty on the Nonproliferation of Nuclear Weapons, the North-South Declaration on the Denuclearization of the Korean Peninsula, and the Statute of the International Atomic Energy Agency. Moreover, KEDO will obtain assurances that nuclear materials, equipment, or technology transferred to the DPRK in connection with projects undertaken by KEDO will be used exclusively for such projects, only for peaceful purposes, and in a manner that ensures the safe use of nuclear energy. The establishment of KEDO is critical to the success of the specific objectives of the Agreed Framework, the general goals of international nuclear nonproliferation norms, and the aim of maintaining peace and security on the Korean Peninsula.

Under the U.S.-DPRK Agreed Framework, the U.S. agreed to "organize under its leadership an international consortium to finance and supply the LWR [light-water reactor] project to be provided to the DPRK." In order to meet this pledge, the U.S. has agreed with the ROK and Japan on the creation of an international organization (KEDO) to carry out the reactor project and other projects called for in the Agreed Framework, such as the supply of alternative energy, the transfer of spent fuel out of the DPRK for ultimate disposition, and the dismantlement of the DPRK's graphite-moderated reactor program.

KEDO will be located in New York and will be directed by an Executive Board consisting of representatives of the original member countries -- the U.S., Japan, and the ROK. Other countries could become involved in KEDO activities as members serving on advisory committees for the projects in which they have an interest.

*INTERNATIONAL ORGANIZATIONS AND PROGRAMS*

The day-to-day operations of KEDO would be directed by an Executive Director, who will be an American citizen, assisted by two Deputy Directors (one from Japan and one from the ROK.) KEDO would seek to contract with private firms for the bulk of the legal, technical, and financial expertise required to oversee the LWR project and other projects. It would have a secretariat of approximately twenty to thirty people to administer projects being performed by contractors.

**Funding Request:** The FY 1996 budget request for KEDO of \$22 million is essential to finance KEDO's administrative expenses and support KEDO's projects, including the LWR project and provision of heavy oil to the DPRK. Although the majority of support for these projects will come from cash and in-kind contributions from other KEDO members, especially the ROK and Japan, the U.S. contribution is necessary to demonstrate U.S. leadership and to supplement and stimulate contributions from other countries. Without the funding, KEDO might not be able to operate or carry out its objectives, which would weaken the credibility of U.S. leadership, jeopardize the implementation of the Agreed Framework, and contribute to rising security tensions on the Korean Peninsula. Full funding of this request is the best way to promote both U.S. peace and security as well as nuclear nonproliferation interests in Northeast Asia.

## ECONOMIC SUPPORT FUNDS

## ECONOMIC SUPPORT FUND

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS):

	1994 Actual	1995 Estimate	1996 Request
ESF	2,107.403	2,368.600	2,494.300

The Economic Support Fund (ESF) addresses economic and political foreign policy interests of the United States by providing economic assistance to allies and countries in transition to democracy, supporting the Middle East peace process, financing economic stabilization programs, frequently in a multi-donor context, and supporting efforts to promote international cooperation in combating organized crime. The U.S. Agency for International Development (USAID) implements most ESF-funded programs under the direction of the Administrator of USAID with overall foreign policy guidance from the Secretary of State.

ESF provides balance of payments support directly through cash transfers, or through financing of commodity imports for acquisition of critical raw materials and capital goods when foreign exchange is not readily available. Where building democracy and economic stability is the primary concern, ESF finances infrastructure or other capital projects, and developmental projects that benefit the disenfranchised and encourage free market and democratic initiatives. ESF also finances programs designed to enhance the administration of justice as well as police training through the International Criminal Investigative Training Assistance Program administered by the Department of Justice.

Economic dislocation and political strife continue to place great strains on many countries. Depending on the recipient country's economic situation, ESF's fast-disbursing balance of payments or budgetary support may create leverage to bring about the adoption of more rational economic and fiscal policies required to sustain economic growth. In the short term, however, measures to create more rational and efficient economic structures and practices often exacerbate social and political tensions unless buffered by external assistance. In these circumstances, ESF can help to prevent or diminish economic and political dislocation that may threaten the security and independence of key allies and friends. The largest share of the ESF request – \$2.113 billion – remains focused on supporting Middle East peace by providing assistance to foster economic stability and development in Israel, Egypt and other Arab countries pledged to support the peace process.

**LAW ENFORCEMENT AFFAIRS**

In FY 1996 ESF financing will support a major new initiative designed to promote international cooperation in combating organized crime. The International Criminal Justice (ICJ) program addresses the growing threat to our national security interests posed by international criminal activity, by building greater cooperation among nations to eliminate organized criminal groups, strengthening national law enforcement institutions in newly emerging democracies, and creating organizations which will aid in combating organized crime. Key benefits of the ICJ program will include deterring alien smuggling at its source, increasing international

*ECONOMIC SUPPORT FUNDS*

cooperation to combat money laundering, supporting the United Nations program to reestablish the Somali national police and judicial system, and improving coordination of U.S. positions and programs in the field. For FY 1996, we are seeking \$12,000,000 in Economic Support Funds (ESF) and will likely continue the strategy adopted in FY 1995 of supplementing these funds with allocations from other appropriations for Central Europe and the New Independent States (NIS).

The following table shows the ESF proposal for FY 1996. Detailed justification for the proposed programs are found in the Country and Program Papers section.

## ECONOMIC SUPPORT FUNDS

## FY 1996 ECONOMIC SUPPORT FUNDS PROGRAM SUMMARY

(dollars in millions)

PROGRAM	FY 1994 ACTUAL	FY 1995 ENACTED	FY 1996 REQUEST
<b>Sub-Saharan Africa</b>			
Africa Regional Fund	2.900	4.400	14.350
Angola			10.000
Djibouti	1.000		
Eritrea	2.000		
Ghana	1.000		
Mozambique	3.100		
Rwanda		3.000	
Sao Tome & Principe	0.500		
South Africa	3.000		
Uganda	0.500		
<b>Subtotal, AF:</b>	<b>14.000</b>	<b>7.400</b>	<b>24.350</b>
<b>East Asia &amp; Pacific</b>			
Asia Regional Fund			8.810
Cambodia	14.861	19.500	39.520
Mongolia			10.000
South Pacific Tuna	14.000	14.000	14.000
<b>Subtotal, EAP:</b>	<b>28.861</b>	<b>33.500</b>	<b>72.330</b>
<b>Europe and the NIS</b>			
Cyprus	14.999	15.000	15.000
Ireland Fund		19.600	29.600
The FYRO Macedonia	5.000		
Turkey	119.978	55.750	100.000
<b>Subtotal, EUR</b>	<b>139.977</b>	<b>80.350</b>	<b>144.600</b>
<b>Latin Am. &amp; Caribbean</b>			
Bolivia	24.995	11.750	
Colombia	1.022		
El Salvador	44.291	16.000	
Guatemala	0.300	2.000	
Guyana	1.000		
Haiti	21.830	79.900	90.270
LAC Regional Fund	5.845	10.000	27.550
Nicaragua	9.999	6.000	
Panama	3.953		
Peru		5.500	
<b>Subtotal, ARA:</b>	<b>113.235</b>	<b>131.150</b>	<b>117.820</b>
<b>Near East</b>			
Egypt	814.930	815.000	815.000
Israel	1200.000	1200.000	1200.000
Jordan	9.000	7.200	7.200
Lebanon	3.639	4.000	4.000
ME Multilaterals	1.000	3.000	5.000
ME Regional (MERC)	5.000	7.000	7.000
Morocco	2.971		
Tunisia	0.985		
West Bank-Gaza	27.500	75.000	75.000
<b>Subtotal, NEA</b>	<b>2065.0250</b>	<b>2111.200</b>	<b>2113.200</b>
<b>South Asia</b>			
Afghanistan	1.995		
<b>Subtotal, SA</b>	<b>1.995</b>		
<b>Global</b>			
AOJ/iCITAP			10.000
Crime		5.000	12.000
<b>Subtotal, Global:</b>	<b>0.000</b>	<b>0.000</b>	<b>22.000</b>
<b>Total Country Programs:</b>	<b>2,364.561</b>	<b>2368.600</b>	<b>2494.300</b>
Rescissions/Transfers out	-269.700		
Reappropriations/Transfers in	12.541		
<b>Total Budget Authority</b>	<b>2,107.403</b>	<b>2,368.600</b>	<b>2,494.300</b>

## ASSISTANCE FOR CENTRAL EUROPE

## ASSISTANCE FOR CENTRAL EUROPE

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS):

	1994 Actual	1995 Estimate	1996 Request
SEED	383.000	359.000	480.000

## OBJECTIVES:

The Support for East European Democracy (SEED) Act of 1989 was designed to demonstrate rapid, concrete U.S. support for the democratic forces of Central Europe (CE) as communism began to crumble. The act called for the President to name a Coordinator within the Department of State to oversee an interagency effort to assist the transformation taking place in the region.

The region remains as important to U.S. interests today as when the original 1989 SEED Act was passed. The process of political and economic transformation is jeopardized by conflict in the Balkans, ethnic tensions, unemployment and other social dislocations. The fate of the region has in a sense become more critical to the United States, as the successful transformations of these countries become examples -- particularly for reformers further east -- that democracy and economic prosperity can be built on the ruins of failed communist systems.

A democratic and prospering Central and Eastern Europe is also, potentially, an important market for U.S. goods and services -- and a gateway to the vast potential markets farther east. The region's success is also a key to building a peaceful, democratic European order that assures security at lower cost to the USG.

The broad objectives of SEED-funded programs in Central and Eastern Europe are to consolidate democracy, build market economies, and attenuate the social effects of the transition through:

- The development of a market economy and strong private sector through support for privatization, development of small and medium-sized business, policy and legal reforms, and key sector restructuring;
- The development and strengthening of institutions necessary for sustainable democracy through support for the transformation of the public sector to better support democratic development, including assistance and training to improve public administration, promote decentralization, strengthen local governments, parliaments, independent media and non-governmental organizations;
- The improvement of the basic quality of life in selected areas through assistance to build cost-efficient health care and housing system, labor retraining and unemployment services and environmental policy reform and enforcement measures, as well as assistance to individual firms on environmental control and management.

*ASSISTANCE FOR CENTRAL EUROPE*

The overwhelming need in the region is the transfer of knowledge and expertise. This, combined with fiscal realities that limit U.S. ability to provide large capital investments, results in a focus on providing technical assistance where it is needed in CE -- often directly to the nascent private sector. By using U.S. private sector grantees, USG funds have leveraged large amounts of additional assistance.

The U.S. combines its efforts with those of other G-24 donors and the international financial institutions to enhance the impact of programs. Some areas of need cannot be adequately addressed by the SEED program; areas such as the development of export licensing regimes, the conversion of nuclear power plants, large-scale environmental remediation, as well as direct financing of major infrastructure projects. These areas entail costs that far exceed SEED resources.

The U.S. assistance program is based on the provision of grant assistance as opposed to credits or loan guarantees. According to G-24 figures, the U.S. is the largest donor of grant assistance to the region -- ahead of all other bilateral donors and even the EU. However, increasingly the U.S. is teaming with the IFI's, providing technical assistance to augment major loan financing in strategic sectors.

The SEED program was originally developed as a regional program, without specific country allocations. This permitted the flexibility to shift resources quickly to address the fast changing situation in the region. Now in its fifth year, the SEED program reflects the evolution of the region. There are USAID offices throughout the region and country budgets reflect specific strategies for each country.

The SEED program is a temporary assistance program, designed to see CE countries through their difficult transitions to democracy and a market economy. The program remains transitional in nature, though its "sunset" will vary according to the progress in each country of the region. The program has already begun to wind down in some countries of the Northern Tier. This will allow a gradual shift in U.S. assistance resources from these countries to those in the Southern Tier, such as Romania and Bulgaria, which have further to go in their transitions. Still other countries, notably Albania and parts of the former Yugoslavia -- whose state of development is quite different from those covered in the original SEED Act -- will need assistance programs for many years to come.

The shift of resources from north to south will be carefully monitored to assure that programs are not withdrawn from countries before democracy and a market economy are assured. The U.S. must remain prepared to continue the important task of helping these emerging democracies until the political and economic objectives of the program are attained.

**CRITERIA:**

The countries currently eligible for inclusion in the Support for East European Democracy Act (SEED Program) are Albania, Bosnia-Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia, and the Former Yugoslav Republic of Macedonia. Serbia and Montenegro have previously received SEED assistance, primarily to promote democracy, but are currently subject to sanctions.

*ASSISTANCE FOR CENTRAL EUROPE*

Inclusion in the program is essentially predicated upon geographic location in Central and Eastern Europe, and political history - the countries included are emerging from the communist bloc. The U.S. never recognized the incorporation of the Baltic states (Estonia, Latvia, Lithuania) into the former Soviet Union. Upon regaining their freedom, the Baltic States were considered to have rejoined Eastern Europe, and were thus eligible for the SEED program.

Initially, the SEED Act of 1989 included Hungary and Poland. In October, 1992, the FREEDOM Support Act amended the SEED Act to authorize activities for East European countries that were authorized for Poland and Hungary, if such activities would effectively promote a transition to market-oriented democracies. Even before that amendment, however, Congress had made funds available for all East European countries in annual foreign operations appropriations acts.

Throughout the history of the program, assistance has been conditioned upon the willingness of countries to move toward four objectives:

- Political pluralism, including credible and transparent elections.
- Economic reform through development of a market economy with a substantial private sector.
- Respect for internationally recognized human rights.
- Friendly relations with the United States.

The SEED program is transitional in nature, providing assistance to countries as they develop market economies and democratic systems of governance. SEED provides assistance only to assist the transition. As countries complete the transition, they are "graduated," and SEED funding and programs are phased out.

**METHODOLOGY:**

The countries of Central and Eastern Europe have made rapid progress toward viable market economies and pluralistic democracy. Throughout the region credible elections have been held followed by the orderly transfer of power.

Yet progress is uneven, in part due to the diversity of the countries. Poland, Hungary, the Czech Republic, and the Slovak Republic (the Visegrad countries) had achieved a relatively high degree of economic development prior to the fall of communism. Limited privatization was already underway, and was well advanced in some sectors of the economy. The Visegrad countries in particular started the post-communist transition with a relatively advantageous economic base. They were politically sophisticated as well. By contrast Albania entered the transition late and from a strict Stalinist framework: A rigorously controlled economy, and monolithic political system which allowed little room for diverse thought in education, the arts, or other areas of individual expression. Albania's economic growth rate is the highest in Europe, though admittedly starting from a very low base.

*ASSISTANCE FOR CENTRAL EUROPE*

There is economic progress in the entire region. Economic decline is less steep and in some countries, there were even signs of a bottoming out. In Poland, the Czech Republic and Albania, there is positive growth, and in other countries in the region there were clear signs of increases in agricultural and industrial production. Inflation continues to be a concern, and unemployment (which has averaged 11 percent in the region) remains the most troublesome side effect of economic reform.

CE countries continue to struggle with fundamental issues, such as the proper role of the government vis-à-vis the private sector, freedom of the electronic media and minority rights. In some countries the first wave of democratic governments has been replaced by former communists, but indications suggest that these will continue the reform process in most countries.

The fundamental approach of the SEED program is to provide technical assistance, the transfer of skills to assure the continued development of democracy and market economies. The program is carefully targeted to meet specific needs of the countries of the region. Funding limits (less than \$3 per capita) preclude undertaking large infrastructure projects alone or development assistance.

Financial sector restructuring, privatization, and small scale financing are essential for the development of the economies of the region. In addition, to promote trade and investment, countries are revising laws and regulations to make the climate more hospitable for Western investors. The Enterprise Funds were created as an innovative mechanism to stimulate economic development and the entrepreneurial spirit through small and medium sized businesses. Among the most innovative activities is the Polish-American Enterprise Fund's small loan program. Through FY 1994, it provided loans worth over \$65 million to 2,800 small-scale private businesses employing 8,500 people.

The social dimension of the transition raises concern for both the course of political and economic reform. The closing, privatization, or restructuring of massive state enterprises; rapidly changing trade patterns; and the fundamental shift away from central planning all serve to create unemployment. Health care and housing are inadequate. Crime is growing. These factors generate suspicion of- and resistance to- the reform process. While SEED resources are inadequate to remedy these imbalances, technical assistance can be used both to assist the region to find its own solutions and to leverage IFI resources.

**CE PROGRAMS AND BENCHMARKS:****Market Reform**Status:

In partnership with reformers in the region, U.S.-funded technical assistance and training are helping to restructure the economies and improve the prosperity of CE.

U.S. assistance in privatization has empowered a wide range of employees, tenants, and citizens to participate in and benefit from the privatization process. In Poland, American advisors have helped to structure the \$4 billion Polish Mass Privatization Program of 450

*ASSISTANCE FOR CENTRAL EUROPE*

former state-owned enterprises. This effort will enable 25 million Poles to purchase shares in newly private businesses. In Hungary, SEED assistance helped develop employee stock ownership, an innovative tool for privatization. Since then, over 30 percent of privatizations completed by the State Property Agency have used this mechanism. SEED assistance to Estonia's Ministry of Economy helped create a system allowing residents to participate in public housing sales.

One of the program's greatest successes has been its assistance to the Czech Ministry of Privatization. SEED-funded advisors have helped to establish a fair and transparent process that has gained foreign investors' confidence. The team of accountants and investment bankers has helped complete 84 deals to date, representing \$1.9 billion in foreign investment, with \$500 million in additional investment still pending. American investments are 40 percent of this total. Efforts to strengthen the financial sectors of these countries are also producing results. Czech cities and towns are now financing municipal infrastructure on market-based principles, by obtaining loans from Czech banks on commercial terms under an approved Housing Guaranty program. In Poland the first market-based mortgages have been made available to private citizens through another Housing Guaranty program that immediately affects 1,500 households. SEED is also playing a key role in the regulatory development and expansion of Eastern European capital markets.

In Albania, which shows the highest rate of GDP growth in CE, SEED assistance helped private agricultural input dealers get their businesses started and replace the former state monopoly. Treasury advisors financed under the SEED program have contributed much to the success of Albania's structural economic reform, development of its national budget, and design of its tax system. Together, these efforts are helping to establish a business environment in Central and Eastern Europe that will lay conditions for expansion of American trade and investment, thus creating American jobs, and ensuring stable economic linkages with the global economy.

FY 96 Programs

After several years of negative GDP growth rates in Eastern Europe, signs of regeneration are now in evidence. In Poland, for instance, real GDP growth in 1993 was estimated at four percent. Similarly, the Czech Republic is showing positive growth projected at one to three percent for 1994, and Albania ended 1993 with a surprising 11 percent. However, only cautious optimism is in order. High unemployment, a phenomenon that did not exist before 1989, is now a problem in virtually all Eastern European countries, except for the Czech Republic, which has kept unemployment under four percent.

Slowing down the pace of reform will not solve these problems. In FY 1996, the SEED program will continue to promote the adoption of market-oriented policy frameworks. Continued emphasis will also be placed on small business development to spur job creation and broad-based economic growth. Additional assistance will be provided to restructure the financial sectors of the CE countries, and to establish a legal, regulatory and institutional framework conducive to private investment. In the southern tier, we will also emphasize transport infrastructure improvements.

Emphasis on countries receiving assistance in their movement toward market reforms will shift over the next few years. As the Enterprise Funds for the Northern Tier countries become fully

*ASSISTANCE FOR CENTRAL EUROPE*

funded, new Enterprise Fund Resources in FY 96 will be dedicated to the Southern Tier and the Baltic countries. Assistance for privatization is shifting from countries that are more advanced in the process, such as the Czech Republic, to other countries that are more in need of such assistance.

Funding for market reform will approximate \$246 million in FY 96.

**Benchmarks:**

Indicators of progress include the following:

- Macroeconomic policies providing a stable monetary and fiscal environment. Indicators include:
  - \* Rate of inflation.
  - \* Real interest rates.
  - \* Deficit as percentage of GDP.
  - \* Prices set by markets.
  - \* Currency convertibility.
- The extent to which the economy is privately owned and operating free of arbitrary interference by government and/or politicians. Indicators include the portion of the population employed in the private or non-governmental sector the portion of economic output from the private or non-governmental sector the extent of government subsidization of the productive sector the extent of monopoly production of goods and services.
- Progress in establishing clear laws and regulations regulating economic activity, so that individuals have a realistic opportunity to start new ventures, and so that existing ventures can operate efficiently. Indicators include:
  - \* Levels of private investment, both domestic and foreign.
  - \* Climate for foreign investment, regulation of ownership, transfer of profits.
  - \* Improved efficiency, reflected in reduced waste discharged into the environment and improved profitability of enterprises.
  - \* Measures of adequacy of banking system such as efficiency and cost of transactions, and availability of private credit.
  - \* Qualitative measure of commercial, bankruptcy, tax, tangible and intellectual property, communications, banking, contracts, and other laws regulating economic activity.
  - \* The rate of new enterprise creation.

**Democracy:****Status:**

The results achieved in programs that promote credible and transparent elections, government accountability and civil society are also quite impressive. As a result of U.S. efforts, newly elected mayors in the Czech Republic, Slovakia, and Poland have created self-sustaining

*ASSISTANCE FOR CENTRAL EUROPE*

professional organizations that represent local governments' common interests as their countries decentralize power from the central governments to regions.

Assistance in support of elections in Albania contributed significantly to the successful political transition to democracy. Bulgaria's new non-partisan organization, Bulgarian Association for Free Elections, helped ensure credible and transparent national parliamentary elections in 1991 and presidential elections in 1992.

Rule of law programs are also having an impact. With American assistance, the Croatian Judges' Association has become increasingly active in implementing judicial restructuring legislation. Additional human rights protections have been added into the draft criminal code now under consideration in Hungary, strengthening the roles of the defense counsel and the judge as an independent check on risk of arbitrary prosecution. Illegally obtained evidence would also be excluded from trials.

**FY 96 Programs:**

The next few years are critical to the transition to democratic governance. Democratic institutions have been established, but they are still fragile. Credible and transparent elections have been held, but power is fragmented among so many parties in some countries that governing coalitions are unstable. CE countries continue to struggle with fundamental issues - the proper role of government vis-à-vis the private sector, freedom of the judiciary and the broadcast media, and minority rights. Participatory structures for local government are still rudimentary. Decentralization of responsibilities, especially for social services and privatization, has vastly outstripped local government capacities.

In response to these circumstances, the democracy-building portion of the program is undergoing significant modification. Election assistance is no longer needed; future efforts will focus on building stronger parties and institutions and providing training in coalition-building. This is in response to the evident fractionalization and weakness of political parties throughout most of the region. In the area of educational reform, the program engages USIA to develop a strategic approach to strengthen key training institutions that support democracy and markets. In the field of public administration, the principal aim is to build democratically-oriented public administration at the central and local levels.

Complementing this effort in the public sector will be an initiative to strengthen civic society through the development and strengthening of non-governmental organizations. The Democracy Network project, announced by President Clinton in Prague in January, will develop advocacy groups such as those that promote human rights or environmental protection. Through selected U.S. non-governmental organizations, technical and financial support will be provided to nascent non-governmental organizations in the region.

In FY 96, current plans allocate approximately \$73 million for activities associated with this objective.

**Benchmarks:**

- Credible and transparent elections taking place at local and national levels.
- Some form of separation of powers at the national level.

*ASSISTANCE FOR CENTRAL EUROPE*

- News media free of censorship, with diversified ownership, and individuals able to establish new outlets.
- An independent judiciary ensuring impartial arbitration of disputes within society.
- Institutional or legal protection of civil rights and liberties.
- Effective state institutions capable of performing limited but essential functions of regulation, rule-enforcement, and social support.

**Social Sector Restructuring:****Status:**

To help Eastern European governments face pressing social issues, the SEED program has financed the design of new policies and pilot demonstrations in housing, humanitarian assistance, and health. The USG provided policy assistance to Hungary that has resulted in the implementation of the first realistically targeted low income housing and utility allowance program, and it is working with many other countries on the design of similar programs.

American private voluntary organizations (PVOs) and other donors helped reduce the number of institutionalized children in Romania from 150,000 in 1989 to 90,000 in 1993. This assistance helped slow down the alarming trend of child abandonment and helped establish new foster parenting programs. The USG created model day care centers, increased community involvement in the care of children who remained institutionalized, and improved the motor and tactile functions of over half of those children. American PVOs succeeded in persuading parents to keep their AIDS-infected children at home in half of the cases (850) that they assisted, improved conditions for the cases that remained institutionalized, and reduced death rates from malnutrition and inadequate sanitation for both groups.

In the area of environment, policy changes generated as a direct result of American advice include passage of an environmental impact assessment law in the Czech and Slovak Republics, adoption of an auto fuel tax in Budapest, and limitations on traffic flow and power and industrial plant production in Prague during air pollution alerts. Efforts to promote use of waste minimization technologies saved \$17 million in unnecessary capital investments at one plant and generated over \$5 million in annual cost savings in other participating plants. Adoption of least cost approaches to municipal wastewater treatment plants, in the first year of the program, saved Polish cities over \$2 million.

**FY 96 Programs:**

Much greater attention will be given in the coming years to support CE countries through this critical phase of social sector reform. One challenge is to help government understand what it can no longer afford and to find ways for the private sector to deliver some of these services. The second is to help government find the means to finance that which is its legitimate role. Assistance will be provided to help the CE countries target their funds for these services most effectively.

These efforts will have both national and local dimensions. At a national level, the USG will work with reform-oriented governments to develop and implement policies that help rationalize the state's role. Depending on the needs of the country, the focus may be on re-

## ASSISTANCE FOR CENTRAL EUROPE

conceptualizing expenditure policies to concentrate services and allowances on the needy. In some cases, policy advice will emphasize specific sectors such as housing or health care that offer prospects for immediate implementation of reforms. At a local level, the USG will offer officials and non-governmental organizations technical support to test and implement evolving national policies.

The USG will also continue to fund selective programs that promote improved environmental policies and stimulate environmentally sound capital investments.

In FY 96, current plans allocate approximately \$101 million for activities associated with achievement of this objective.

### Benchmarks:

- Establishment of social support mechanisms appropriate to market-based democracies in the areas of health, labor markets, and housing
- Stable or declining levels of absolute economic and social distress
- Activities to promote energy efficiency
- Activities to promote the improvement of the environment

### Economic Factors

The SEED program was envisaged as a temporary assistance program, designed to see CE countries through their difficult transitions to democracy and a market economy. The program remains transitional, though its phase-out and termination will vary according to the progress and needs in each country. By FY 1996, U.S. assistance resources should begin to shift from countries that have made excellent progress in carrying out economic and democratic reforms, e.g. Estonia and the Czech Republic, to countries such as Romania and Bulgaria which have further to go in their transitions. Still other countries, notably Albania, and parts of the former Yugoslavia, will need assistance for many years to come. The USG will carefully monitor this shift in resources from the Northern Tier to the Southern Tier states of CE to ensure that the gains in the former are lasting and sustainable.

The USG is finding that additional resources are required to complete critical elements of reform. In Poland, for example, a mass privatization program was recently initiated to contribute to the final phase of privatization - the privatization of major enterprises.

### Democratic Factors

Public administration is an essential element of U.S. assistance in creating sustainable democratic institutions. The demand for additional assistance is growing, and there is a clear need for more program resources in this area.

In addition, educational reform will play a major role in developing the culture of democracy throughout the region. This program should also be expanded to additional countries and to conduct the full range of activities originally envisaged.

*ASSISTANCE FOR CENTRAL EUROPE*Social Factors

There is urgent need for social sector restructuring throughout the region in order to solidify popular support for a continuation of reform. The SEED program is addressing the issue, but requires additional resources to have a broad impact on national policy and social sector programs in many of the countries of the region.

Beginning in FY 1995, funding of technical assistance programs in Bosnia and Croatia will rise significantly. Approximately \$40 million is allocated for these countries in each of the next two fiscal years. While this represents a significant increase, these levels in no way meet the external assistance needs of these war-torn countries.

South Balkan Development Initiative

Through this initiative, we aim to facilitate the improvement of East-West transportation links between Bulgaria, the FYROM and Albania. The funding requested would enable us to leverage other donor resources for projects critical to the region's economic development and integration.

Bosnia Reconstruction Fund

If conditions permit, reconstruction will be required throughout Bosnia. While the SEED program was not designed for this type of activity, it should be expanded for this specific purpose. The FY 96 budget should include a special category for the reconstruction of Bosnia. The funding requested will leverage additional resources from other donors, depending on the structure and management of the coordination mechanism. Activities might include major infrastructure repair, a micro-loan window, programs to stimulate economic activity combined with reform of financial structures, assistance to the Federation government in public administration and legal reform, a repatriation program, etc. Funding for reconstruction should be distinct from other SEED programs, and resources should not be transferred between SEED's other programs and the Reconstruction Fund.

## ASSISTANCE FOR CENTRAL EUROPE

## ASSISTANCE FOR CENTRAL EUROPE

## PROGRAM SUMMARY

## Budget Request by Sector:

*(DOLLARS IN MILLIONS)*

	1994 Actual	1995 Estimate	1996 Request
Market Reform		214.561	246.000
Democratic Reform		48.040	73.000
Social Sector Restructuring		96.399	101.000
Bosnia Reconstruction		0.000	60.000
Total	381.596	359.000	480.000

## Budget Request by Country:

*(DOLLARS IN THOUSANDS)*

	1994 Actual	1995 Estimate	1996 Request
Albania		28,706	31,000
Bosnia & Herzegovina		25,800	80,640
Bulgaria		29,138	42,030
Croatia		14,204	13,210
Czech Republic		13,983	7,460
Estonia		1,752	
Hungary		27,389	27,400
Latvia		7,065	7,450
Lithuania		11,848	12,689
Macedonia		13,313	16,724
Poland		75,672	65,425
Romania		32,530	46,046
Slovakia		27,380	32,465
Slovenia		6,296	4,295
Eastern Europe Regional	381,596	37,924	93,166
South Balkan Development			30,000
Special Concerns		6,000	0
Law and Democracy			10,000
Total	381,596	359,000	480,000

## NEW INDEPENDENT STATES

## ASSISTANCE FOR THE NEW INDEPENDENT STATES OF THE FORMER SOVIET UNION

### PROGRAM SUMMARY

(DOLLARS IN MILLIONS):

	1994 Actual	1995 Estimate	1996 Request
NIS	1,153.885	719.400	788.000

#### OBJECTIVES:

The twelve New Independent States of the former Soviet Union are undergoing profound changes as they develop new institutions of statehood while concurrently transforming their economies and political systems. Each state is defining the nature of its structures by what it sees as appropriate for its needs, and the pace of change varies greatly. This is inevitable, given the significant differences among the peoples and countries involved.

Our overall goal is clear: We wish to achieve enduring, normal, and productive bilateral relations with each New Independent State, and to encourage such relations among them, and between them and their partners in the world community. We believe that this kind of partnership will ultimately require stability and prosperity, and international relationships based on mutual recognition of reasonable security interests, normal economic relations, and free movement of people, goods, and ideas.

History shows that broad-based prosperity is best achieved through a market economy, that stability is best achieved through democracy, and that over the long run each is essential to the success of the other. These are internally self-correcting systems which adjust to changing circumstances and needs. That said, however, it is equally true that each country has to develop the details to reflect local history and conditions. There is no perfect model.

The U.S. assistance program is intended to be limited in duration. It is designed to assist with the transformation of misdeveloped economies which were crippled by seven decades of Soviet ideological management of economic and government institutions, and a lack of economic and political freedom for individuals. Where necessary the program provides limited humanitarian assistance until there is sufficient stability for reform to proceed, moving as quickly as possible to technical assistance for reformers seeking to put in place the essential elements of market economies and democratic political systems. Such help is particularly important during the critical early stages of transformation, both for the knowledge transferred and for the encouragement and support it provides to reformers. However, it is essential that such transitional technical assistance be short-term, so that we can move beyond the donor-recipient relationship to trade and investment and ultimately to bilateral relations based on the full range of normal commercial and other ties.

*NEW INDEPENDENT STATES*

Hence, we seek the following three objectives:

1. The development of a competitive, market-oriented economy in which the majority of economic resources are privately owned and managed.
2. The transition to transparent and accountable governance and the empowerment of citizens, working through their civic and economic organizations and democratic political processes that ensure broad-based participation in political and economic life, and respect for human rights and fundamental freedoms.
3. Strengthened capacity to manage the human dimension of the transition to democracy and a market economy, and to help sustain the neediest sectors of the population during the transition period.

**JUSTIFICATION:**

The twelve New Independent States are best characterized by their diversity. They span half the globe — eleven time zones — and represent scores of distinct ethnic groups. Religions, cultures, economic traditions, and languages reflect histories which are as much competitive as cooperative, or even downright hostile. These factors were masked by the monolithic domination of the Soviet Union, but now are clearly visible.

A legacy of Communism is that all twelve countries do have a recent shared history: the single system of political and economic centralization shaped many of the structures and attitudes which now require change. In worldwide terms, they all are developed countries, albeit misdeveloped in respect of many institutions essential for a market economy and democratic politics. Each has a relatively healthy, educated, and productive populace, a considerable scientific establishment, a significant industrial base, and a potentially strong agricultural base. Much of the existing infrastructure was developed for purposes other than what is needed for democracy and a market economy. The legacy of pervasive control of all aspects of people's lives remains in the hold-over bureaucracies as well as in the attitudes of people conditioned to accept bureaucratic control. Even so, previous levels of capital investment in people, durable goods for productive sectors, and physical infrastructure have created the basis for significant real growth, especially as organizational, legal, and regulatory infrastructure become available to foster its efficient use.

Based on experience to date, adoption of economic and political reforms is likely to be highly uneven, and may include situations where some elements move ahead rapidly while other elements see no progress. Significant support to governments should be directed at states which embrace fundamental economic and political reforms. Resources will be concentrated in areas which are essential, i.e., without which the objectives cannot be achieved. Those include democracy-building, privatization of the economy, including productive enterprises and land; establishment of basic laws and regulations permitting the private sector to operate without need for subjective governmental action; establishment of clear market signals (primarily world-market pricing) which permit rational decisions, and therefore reward reduction in waste of energy and other resources; and de-monopolization of the economy. In some cases, comprehensive economic reform will be dependent on assistance from international financial institutions, the IMF and World Bank in particular. U.S. assistance to facilitate agreements

*NEW INDEPENDENT STATES*

between reforming NIS nations and the IMF and World Bank can leverage both economic reform in the NIS and financial assistance from the IFIs. Where commitment to reform is limited, assistance will be primarily for programs operating outside governmental channels.

The appropriation level for FY 1995 represents roughly \$3 per capita in the NIS. Given the reality that the results of assistance expenditures are vastly greater in countries which proceed faster with reform, the principle that aid follows reform must result in relatively higher levels for those doing the most to help themselves. Indeed, the benefits of economic assistance programs will be minimal unless accompanied by courageous steps to establish and maintain sound macroeconomic -- both monetary and fiscal -- policies.

Further, because assistance funds are limited, in the Russian Federation we have adopted a regional concentration strategy whereby assistance programs are concentrated in regions and cities where reform has taken hold. Where several different assistance programs can be bundled together, the overall effect can be greater than the sum of the parts.

Beyond measures setting clear rules for domestic and foreign investors, adequate funds must be available to encourage and facilitate investments in the NIS by U.S. firms, particularly while the investment climate is not capable of attracting foreign investment on its own. Further, action is required to remove trade barriers both within the states themselves and also by all of their foreign trading partners. Priority must be given to putting in place all of the normal treaties, agreements and facilities necessary for American firms to trade with and invest in those countries.

Throughout the region, non-governmental organizations will receive funds for initiatives to support the efforts of reformers to establish independent media, democratic politics, an independent judiciary, and transparent government. There will be constant support for programs which increase the capacity of reformers in these states to understand, design, approve, and implement needed economic reforms. These will include exchange and participant training programs, people-to-people types of assistance, and in limited situations, long term advisors, in order to overcome the effects of near total isolation, and to increase the exposure of present and future opinion leaders to Western democratic and free market traditions.

The problems facing the New Independent States (or any other country) will never be totally "solved", therefore there will be inevitable pressure to continue assistance. Nonetheless, the overall goal of normal bilateral relations based on mutual respect requires that we move as quickly as possible through the three phases of assistance -- from humanitarian to technical to trade and investment -- and beyond to cooperation based on normal commercial relations. For the Russian Federation, we are entering the final assistance phase: the major technical assistance programs underway and already funded are being implemented and will see a high level of activity during the next two years. Additional funding for technical assistance will gradually decline; direct support for trade and investment is now increasing but will itself gradually phase out.

As economic rules and macroeconomic stabilization become clearly established, the pace of domestic and foreign investment should generate significant rates of growth which enable these nations to finance their own problem solving. A fraction of one percent of incremental growth each year can generate sums vastly larger than the levels of our assistance.

*NEW INDEPENDENT STATES*

Because this is an integrated strategy, it is important to realize that the nature of the United States assistance program will be very different in states which are lagging in the pace of economic and/or political reform. In the extreme, for example, a program in a particular country may consist entirely of exchange programs, people-to-people initiatives, and activities with non-governmental organizations. In such a case, the effort would be directed at achieving objectives over the medium and long term by focusing on the country and its people. The non-reforming government would not receive assistance, but the country would, depending on what opportunities there are to provide effective assistance through non-governmental channels, and how pervasively government anti-reform policies inhibit the ability of such assistance to succeed.

**NIS PROGRAMS:****Market Reform****Status**

Market reform is taking place, despite an often inhospitable context. The planned Soviet economy created a system where central planners kept track of inventories of tens of thousands of goods, setting literally millions of prices and issuing thousands of allocation orders a day. There was no competition in the system. Single factories were dedicated to producing virtually all of the goods for the entire Soviet empire. The state owned almost everything--every house, apartment, office and business.

Against this background, the progress, particularly in Russia, has been remarkable. Two thirds of all Russian small shops -- some 100,000 businesses -- have been privatized; more than 50 percent of all medium and large scale enterprises -- some 14,000 -- have been auctioned, and more than 40 percent of Russia's industrial labor force is now working in the private sector. Some 40 million Russians have become shareholders in private companies. Most importantly, there is increasing evidence that privately owned companies are beginning to restructure, changing their production profiles and methods, revising employee incentives and planning long-term investments. Essential business infrastructure is also becoming available, as evidenced by such things as the emergence of private banks, the development of capital markets, and better telecommunications.

Similar changes have taken place in the housing market where millions of apartments have been privatized, management and maintenance are being turned over to private firms, and private construction companies have begun to launch new projects. To an increasing extent, Russia's success has been contagious. The Government of Ukraine has agreed to move forward with a mass privatization program; Kazakhstan's privatization program is beginning, and both Kyrgyzstan and Moldova have asked for USAID help with their ambitious efforts to privatize their economies.

Even though the reform process is far from complete, it is already changing people's lives. Entrepreneurs are setting up new businesses in many sectors previously monopolized by the state. Individuals have the opportunity to buy shares of stock, to buy an apartment, to change jobs. Foreign investment is growing, totaling more in the past year than in the previous seven years combined. Though still small in world terms, the trend toward increasing foreign

*NEW INDEPENDENT STATES*

investment, as well as of international commercial trade, provides evidence that normal economic growth patterns are developing.

## FY96 programs

In FY96 the emphasis on trade and investment -- begun in FY94 and reinforced in FY95 -- will assume a larger role in the economic reform support provided by the United States, especially in Russia. (Appropriations for OPIC, TDA and Ex-Im Bank to support trade and investment in the NIS are included in the Administration's budget requests for these agencies.) Privatization and private sector development will continue to be a core element of the U.S. effort to promote the transition to market economies in FY 96. Land privatization in Russia and support to privatization programs in other republics will be important elements of the program in the coming years. Development of strong private sector economies coupled with the significantly increased support for trade and investment, especially in Russia, should result in self-sustaining economic growth, provided that NIS governments remain committed to and implement sound policies.

Post-privatization initiatives to enhance the commercial viability of recently privatized and new enterprises is another major theme in FY 96. This includes development of commercial law and other legal and regulatory frameworks, capital markets, demonopolization programs, and assistance for restructuring traditional enterprises.

Macro-economic stability is key to generating and attracting both domestic and foreign investments. The United States--through U.S. participation in the efforts of international financial institutions coordinated by the Department of the Treasury, financial assistance from trade and development agencies, humanitarian commodities, and technical assistance through USAID--will seek to promote such stability. Emphasis will also be placed on the development of new tax and expenditure systems for local governments, and improved central bank intermediation with the financial system.

We will also support efforts by governments to restructure their energy sectors and develop market incentives for energy efficiency including technical assistance for regulatory, tax and investment policies to support a competitive environment, promote efficiency and reduce environmental risk.

Attention to environmentally sound, sustainable growth is an important theme. A market economy will remain viable only if it operates on a sustained basis in a way that protects its environment, uses resources wisely, and respects popular concerns for issues of public policy. Environmental improvements will also help address the health needs of people throughout the NIS. Programs include:

- Programs to enhance nuclear power plant safety and expansion of alternatives to nuclear power.
- Support to address specific environmental issues.
- Public education and NGO development to enhance public awareness and participation in decision making on key environmental issues.

*NEW INDEPENDENT STATES*

- Technical assistance to build institutional capacity within government, at all levels, to integrate environmental considerations into key policy decisions.

In Fiscal Year 1996 current plans allocate approximately \$504 million for activities associated with achievement of the economic reform objective (not including the \$92 million requested for trade and development agencies in the form of direct appropriations).

**Democratic Reform****Status**

Changes leading to democratic political systems and institutions have been equally remarkable. It is easy to forget that five years ago, no one imagined an election in the Soviet Union with more than one candidate. In the past few months alone, elections have taken place in the three most populous countries in the former Soviet Union, and there has been no lack of candidates. In Ukraine, there were more than 5000 candidates for 450 places in the Rada. Local elections were held across Russia, and Belarus held presidential elections in June. Both Ukraine and Belarus faced the ultimate test of democracy, as opposition candidates defeated incumbent presidents, and assumed office, without unrest or serious election disputes. New processes of governing are being established, and the principle of popular participation in a civic society is taking hold.

At the individual level, the change means that citizens gain not only the right to register dissent or approval, but access to information and a chance to participate in public life as never before. Nowhere is this clearer than in the independent print media, as well as the emerging non-governmental sector. In Russia, despite fears to the contrary, the independent print and television organizations presented the news from Chechnya without significant interference. More than 12,000 NGOs have registered in Russia alone, involved in a wide variety of activities from associations of small businesses to environmental groups and health and welfare associations. As in our own country, NGOs provide avenues for ordinary citizens to express their concerns, petition government, and check government excesses and inactions.

These fundamental changes, affecting the individual's right and opportunity to participate in politics, are dramatic and permanent. They have not been substantially affected by debates between parliamentarians and the executive, or between individual politicians on the nature and pace of reform. They provide the foundation for lasting reform.

The United States has been active and effective in supporting these changes. Support for the development of an independent media has been particularly effective: USAID and USIA have helped link independent Russian, Ukrainian and Kazakh stations develop news broadcasts that have reached more than 70 million people. We have helped electoral and constitutional reforms, through assistance in drafting new legislation, training of political parties, and technical expertise working with electoral commissions. USAID has provided grants to over 300 indigenous non-governmental organizations and provided technical assistance to encourage formation of additional NGOs. Moving beyond initial grants to NGOs, a new program is aimed specifically at increasing the reach and strength of Russian NGOs. USAID and USIA have supported development of an independent judiciary, including funds for the American Bar Association to help Russia reintroduce trial by jury in nine regions for the first time since 1917.

*NEW INDEPENDENT STATES*

By 1996, nearly 30,000 individuals from throughout the NIS will have come to the United States in various exchanges and training programs, and thousands more will have been directly affected by partnerships and linkages between U.S. and NIS private citizens and non-governmental organizations. These programs have exposed NIS citizens to new ways of facing the challenges they confront by exposing them to democracy in action, in the context of individual initiative free from government control.

**FY96 programs**

The development of participatory political systems, including political parties, civic organizations, and independent labor unions will continue as a top priority of U.S. assistance to the NIS. U.S. nongovernmental organizations will provide training and technical assistance to strengthen local and regional institutions and election monitoring and support. Newly elected leaders in national and local legislatures will receive training in parliamentary processes; and civic and political organizations will be strengthened. These exchange programs will be supplemented by USIA, for which the Administration is requesting \$40 million for NIS programs in the USIA budget request.

Promotion of independent media, as part of a more general effort to institutionalize increased governmental accountability, will also continue in FY 96. Activities will include assistance in building sustainable financial and management capacities within the media, and address constraints to production and distribution of unbiased information, and encourage professional standards and responsibility.

Efforts to create stable legal environments, and permit the operation of market-based democracies will continue to receive support. Activities will include technical assistance and training in the drafting and analysis of constitutions, laws and regulations; strengthening legislative, administrative and judicial institutions; and providing support for the administration of justice, commercial and criminal law. U.S. law enforcement agencies will continue to assist NIS counterparts in coping with the sharp rise in organized crime and narcotics trafficking.

Future assistance also will help strengthen both administrative and institutional capacities of indigenous NGOs as well as their direct service delivery capabilities. Partnerships with U.S. organizations will be the principal vehicle for providing this assistance. Exchanges and training programs in a wide range of fields will continue. These efforts support the democratic transition by exposing NIS leaders, business people and private citizens to democratic market systems, Western values, and management principles, and by providing specific skills training.

In Fiscal Year 1996 current plans allocate approximately \$148 million for activities associated with achievement of this democratic reform objective (this excludes the \$40 million request for direct appropriations to USIA).

**Social Sector Reform****Status**

Well into FY 94 the bulk of U.S. resources for the social sector went into humanitarian assistance: millions of people in all of the NIS benefitted from food, fuel, medicine and medical

*NEW INDEPENDENT STATES*

equipment funded by the U.S. program. Selective targeted humanitarian assistance will continue as needed in certain countries, but henceforth the primary focus of social sector programs will be to help redefine the roles and responsibilities of government and the private sector for delivery of fundamental social services. Old social support systems are dying and new systems are evolving. The best use of our limited resources is to help the people of the NIS address basic underlying issues at the root of this disruption.

The first of these issues is inflation which has eliminated savings, eroded confidence, and devastated the standard of living. The cure for inflation is economic reform—our first strategic objective.

The second issue is the collapse of the system responsible for delivering social services—health, education, old age pensions and welfare. This is due in part to privatized companies having to shed their responsibilities for social services; it also reflects the fiscal crisis at the center and in local and regional governments as well.

The third issue, only just beginning, is rising unemployment as subsidies to public enterprises are removed, and privately owned enterprises restructure.

In this context, our strategy cannot be limited to humanitarian assistance. Humanitarian aid can be important, if directed appropriately, but is only a stop-gap measure. Rather, our concentration has to be on helping governments in the NIS to sort out the responsibilities between public and private sectors, establish roles for local and federal government, and develop appropriate institutions for diagnosing problems, setting priorities and addressing social concerns.

We are helping governments review their role in two other key social sectors -- health care and housing -- and develop new systems that rely less on government and more on the private sector to provide social services. In health, we will provide technical assistance to regional governments to identify health care services to be provided by the state, design health care financing options, help privatize health services, and introduce policy and pricing reforms to encourage a greater role for the private sector. The twenty-two hospital partnerships provide linkages with American institutions, and continue to be a vibrant part of the effort to help NIS medical institutions learn how to restructure to meet changing times. Specialists in housing are already helping municipal governments privatize existing housing stock and land, phase out rent subsidies and target aid to vulnerable groups, and shift responsibility for management and construction to private groups.

We are also providing technical assistance to the finance ministries and to local and regional governments to help them delineate the responsibilities, services, and functions, including revenue, expenditure and management, which should remain within the state domain. One aspect of the challenge is to help governments in the NIS identify and implement fiscal reforms that replace general subsidies that are often wasteful with targeted subsidies that focus on unemployed and vulnerable groups.

**FY96 programs**

Sustained public support is essential for successful transition to free markets and democratic governance. People must believe that reform will produce improvements in their social and

*NEW INDEPENDENT STATES*

economic circumstances. This will require redefining the role of the public and private sectors at various levels of government, to let the private sector provide social services where market incentives are weak, and replace old, communist-era mechanisms for social support with those more suited to a market economy. The United States will support a number of activities linked to this objective in FY 96.

Technical assistance will assist in rationalizing government, private and NGO roles in social sectors, and in delineating responsibilities among federal, regional and local governments. Revenue and expenditure frameworks and management and accounting systems are needed at each level. Fiscal reforms to shift general price subsidies to targeted subsidies focused on the unemployed will stretch the financial capacity of national and local governments to meet legitimate social service needs.

We will continue hospital partnerships, and resources will be provided for technical assistance supporting health financing and service delivery reform to help move toward efficient, market-driven health delivery systems. Efforts to support indigenous production capacity and rationalized use and distribution of pharmaceuticals, vaccines and medical supplies will also be funded, and partnerships with U.S. health institutions will be supported to improve technical and management capacities. Attention will be given to women's health needs, including family planning services.

Assistance in housing, privatization of housing stock, development of private housing finance and construction capacity and privatization of housing maintenance services will allow governments to reduce subsidies which now drain local budgets, and to target allowances to the most vulnerable groups.

Emergency humanitarian assistance, as needed, will continue to be provided for strife-torn areas such as Armenia, Georgia, Azerbaijan, and Tajikistan to assure that food, fuel and medical emergency needs are addressed and to develop improved local capacities to plan for and deliver humanitarian services.

In Fiscal Year 1996 current plans allocate approximately \$136 million for activities associated with achievement of this objective.

**Nonproliferation**

In FY 1996 funding provided under the FREEDOM Support Act will support international science centers in Russia and Ukraine which were formerly funded by the Department of Defense under the Nunn-Lugar program. The International Science and Technology Center (ISTC) Moscow and the Science and Technology Center in Ukraine (STCU) will fund projects to provide non-military employment opportunities to scientists and engineers formerly engaged in Soviet programs of design, development and production of weapons of mass destruction. To date the ISTC has funded 94 projects employing over 5,00 scientists and engineers. The STCU has just been established and will begin to fund projects in the next few months. Membership in both centers is open to all CIS countries. The U.S. contribution to the science centers effort joins funding for the ISTC from the European Union, Japan, Finland and Sweden, and for the STCU from Sweden and Canada. While the science centers initiative has nonproliferation as its primary objective -- funding projects including long-term storage of fissile material and material control and accounting -- it has also been extremely successful at involving Western

*NEW INDEPENDENT STATES*

and Japanese businesses, universities and national laboratories and institutes as unpaid project collaborators.

## NEW INDEPENDENT STATES

## ASSISTANCE FOR THE NEW INDEPENDENT STATES OF THE FORMER SOVIET UNION

### PROGRAM SUMMARY

#### Program Plans by Sector (DOLLARS IN MILLIONS)

Program	Actual FY94	Estimated FY95	Requested FY96
Market reform		535	504
Democratic reform		165	148
Social sector		150	136
Total	555.093	850***	788**

#### Program Plans by Country (DOLLARS IN THOUSANDS)

	1994 Actual	1995 Estimate	1996 Request
Armenia		40,713	30,000
Azerbaijan		9,973	9,000
Belarus		5,250	19,000
Georgia		24,973	21,000
Kazakhstan		43,563	62,000
Kyrgyzstan		20,810	17,000
Moldova		22,180	30,000
Russia		344,476	260,000
Tajikistan		9,230	7,000
Turkmenistan		5,123	4,000
Ukraine		160,138	159,000
Uzbekistan		11,380	11,000
N.I.S. Regional		151,191	159,000
Special Concerns		1,000	0
Total, NIS	555,093	850,000	788,000

Totals may not add due to rounding

- \* Includes \$300 million appropriated directly to Ex-Im Bank for NIS programs
- \*\* Includes neither the \$92 million requested in direct appropriations to OPIC, TDA and Ex-Im Bank for trade and investment programs in the NIS nor the \$40 million requested in direct appropriations to USIA for exchange programs in the NIS
- \*\*\* Includes transfers to OPIC, TDA, USIA and Peace Corps.

## INTERNATIONAL NARCOTICS CONTROL

## INTERNATIONAL NARCOTICS CONTROL

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS):

	1994 Actual	1995 Estimate	1996 Request
INC	101.000	105.000	213.000

The spread of international narcotics trafficking and organized crime constitutes some of the most persistent and serious challenges to America's foreign and domestic interests in the post-Cold War era. The effects of these challenges tear at the very fabric of society, jeopardize emerging and established democracies, slow economic development, and threaten the environment. While narcotics and organized crime are distinctly different threats, requiring individually tailored programs, they share the need for a coordinated international response and the development of strong democratic judicial institutions to combat them.

The international narcotics trade is one of the most pervasive and insidious problems we face. From drug producer to user, tens of millions of people on virtually every continent are directly involved. Global narcotics trafficking generates an enormously disruptive illicit economy of hundreds of billions of dollars annually, spawns widespread corruption and intimidation, and condemns countless drug abusers to painful, sick, and unproductive lives. From Panama, where traffickers once held influence at the highest levels of government, to Italy, where traffickers tried unsuccessfully to cow the judiciary by systematically assassinating senior prosecutors, no country is immune. Driven by both supply and demand forces, the threat must be fought through an integrated global response of enforcement, public awareness/demand reduction, and economic support initiatives.

The end of the Cold War is also leaving American interests increasingly threatened by new and traditional international organized crime powers. Rich, violent, and predatory international crime syndicates are quick to exploit political, economic, and social vacuums created by countries in transition. As we are witnessing in the former Soviet republics, old criminal networks are growing more powerful and new groups are emerging faster than authorities can keep pace. Such groups threaten the consolidation of democracy from Eastern Europe and Russia, to Africa and Asia. There is a direct cost to the United States as well. Organized crime threatens the operations and personal safety of U.S. businessmen abroad, contributes to an escalation in serious crime, and reduces the effectiveness of U.S. assistance programs. They decay the very institutions upon which we depend to do fair and honest business.

The Department of State has formed the Bureau of International Narcotics and Law Enforcement Affairs (INL) to meet the challenges posed by narcotics trafficking and international organized crime. INL responsibilities include: developing, implementing and monitoring U.S. international counternarcotics strategies and programs in support of the President's National Drug Control Strategy; building greater cooperation among nations to enhance law enforcement institutions in newly emerging democracies; and improving international efforts to combat organized crime. INL functions also include foreign policy formulation and coordination, and diplomatic initiatives. In future years, the Department

*INTERNATIONAL NARCOTICS CONTROL*

intends to seek a single appropriation, implemented by INL in which the narcotics control and law enforcement programs would be administratively segregated to avoid commingling, but would be available for coordination by a single office with clear authorities to avoid duplication and waste.

**INTERNATIONAL NARCOTICS CONTROL**

On November 3, 1993, the President signed a directive that identified international narcotics control as a major U.S. foreign policy objective. Internationally, drug production and trafficking activities endanger democracy, economic development, and the global environment. The Department of State and other agencies responded with a new national drug control strategy that shifted the focus to source countries where the drug trade and trafficking organizations are more confined and vulnerable.

The FY 1996 program is designed to continue implementation of the strategy, including greater stress on multilateral efforts to strengthen democratic institutions, making them more effective in fighting international trafficking organizations. The program reflects our most extensive effort yet to integrate counternarcotics police and military law enforcement activities, drug awareness and demand reduction programs and training, and sustainable economic growth into comprehensive regional and country counternarcotics programs.

The proposed FY 1996 funding seeks to get key drug countries to shoulder more of the drug control burden and resist the destructive forces of narco-corruption and intimidation. It is directed at strengthening the rule of law, economic and social development, and anti-drug institutions in countries that are committed to narcotics control. We expect our material, training, and other assistance to lead to more professional and competent judicial and enforcement agencies, greater drug crop eradication and reduced production, and more vigorous law enforcement operations against major drug trafficking organizations. Our work with multilateral organizations, such as the UN and various international financial institutions, as well as enhanced coordination with U.S. bilateral economic assistance agencies, will increase because they can complement our efforts and operate where our access is limited.

The international narcotics control program represents a long-term commitment to reduce the level of illicit drug production, trafficking, and abuse on a global basis. By addressing all elements of the international grower-to-user chain, the program seeks not only to reduce the supply of narcotics entering the United States, but also to provide critical assistance and technical expertise to other nations committed to controlling their own drug problems. This program complements the efforts of individual countries.

## INTERNATIONAL NARCOTICS CONTROL

**INTERNATIONAL NARCOTICS  
AND  
LAW ENFORCEMENT AFFAIRS  
FY 1996 BUDGET REQUEST**  
(\$ in thousands)

PROGRAMS	1	FY 1994 Enacted	FY 1995 Plan	FY 1996 Request
<b>INTERNATIONAL NARCOTICS</b>				
<i>Latin America</i>				
Bahamas		700	700	700
Bolivia	*	44,067	25,829	60,000
Brazil		400	600	1,000
Colombia	*	28,700	29,000	35,000
Ecuador		500	500	850
Guatemala		2,000	2,500	2,550
Jamaica		600	600	1,000
Peru	*	17,800	16,000	42,000
Venezuela		400	500	500
L A Regional	*	4,735	4,000	7,000
<i>L A Subtotal</i>		<u>99,902</u>	<u>80,229</u>	<u>150,600</u>
<i>Asia/Africa/Europe</i>				
Laos		2,000	2,200	2,000
Pakistan		2,500	2,500	2,500
Thailand		3,000	1,250	1,500
Turkey		400	400	400
NIS/East Europe		-	-	4,000
Asia/Africa/Europe Regional		900	1,450	1,500
<i>Asia/AF Subtotal</i>		<u>8,800</u>	<u>7,800</u>	<u>11,900</u>
<i>Interregional Aviation Support</i>		<u>19,000</u>	<u>24,000</u>	<u>21,000</u>
<b>Total Country Programs</b>		<b>127,702</b>	<b>112,029</b>	<b>183,500</b>
International Organizations		5,000	6,500	11,500
Narcotics Law Enf. Trng. and Drug Aware/ Demand Reduction		8,000	7,000	11,500
Program Development & Support		6,000	6,300	6,500
<b>TOTAL INTL . NARCOTICS</b>		<b>146,702</b>	<b>131,829</b>	<b>213,000</b>

1 Countries with an asterisk \* include INC, Military and Economic Counternarcotics programs.

## INTERNATIONAL NARCOTICS CONTROL

FY 1994 - FY 1996  
**INTERNATIONAL NARCOTICS**  
 AND  
**LAW ENFORCEMENT AFFAIRS**  
**BUDGET SUMMARY BY FUNCTIONAL ACTIVITY**  
 (DOLLARS IN THOUSANDS)

1/	FY 1994 Enacted	% OF Total	FY 1995 Plan	OF Total	FY 1996 Request	OF Total
Law Enforcement Assistance and Institution Development	57,797	39.4	56,769	43.1	73,500	34.5
Military Counternarcotics Support	10,667	7.3	12,829	9.7	26,000	12.2
Sustainable Development	35,400	24.1	14,000	10.6	47,000	22.1
Crop Control/Eradication	12,500	8.5	13,000	9.9	18,000	8.5
International Organizations	5,000	3.4	6,500	4.9	11,500	5.4
Drug Awareness/ Demand Reduction	4,370	3.0	5,731	4.3	8,000	3.8
Law Enforcement Training	5,500	3.7	7,000	5.3	11,500	5.4
Program Development and Support	15,468	10.5	16,000	12.1	17,500	8.2
<b>TOTAL NARCOTICS PROGRAMS</b>	<b>146,702</b>	<b>100</b>	<b>131,829</b>	<b>100</b>	<b>213,000</b>	<b>100</b>
<b>INTERNAT'L CRIMINAL JUSTICE</b>	<b>0</b>		<b>25,165</b>	<b>2 3 4</b>	<b>12,000</b>	<b>2 3 4</b>
<b>TOTAL PROGRAM PLAN</b>	<b>146,702</b>		<b>156,994</b>		<b>225,000</b>	

1 FY 1994 and FY 1915 include INC, Military and Economic Counternarcotics programs not appropriated to INL.

2 Budget estimates for administrative and operating expenses for International Criminal Justice (ICJ) programs are not included in this budget request.

3 In FY 1995, a total of \$23.665 mil was transferred to INL for implementation of ICJ programs, \$13.665 FSA, \$5 mil SEED and \$5 mil ESF. \$1.5 mil was held by USAID for foreign participant support costs.

4 In FY 1996, \$12 mil reflected for ICJ in the INL budget will be included in the FY 1996 ESF budget request. Additional FSA and SEED funding for ICJ programs will be included in the appropriate budget requests.

*INTERNATIONAL NARCOTICS CONTROL***ASIA/AFRICA/EUROPE REGIONAL COOPERATION****PROGRAM DESCRIPTION AND BUDGET REQUEST:**

**DESCRIPTION:** The program is designed to help governments begin establishing counternarcotics law enforcement units, obtain training or equipment, and conduct demand reduction/public awareness campaigns. The intent is not to establish permanent programs, but to provide seed money for countries to help themselves and to complement United Nations International Drug Control Program (UNDCP) and other donor programs.

**PROGRAM SUMMARY***(DOLLARS IN MILLIONS):*

	1994 Actual	1995 Estimate	1996 Request
INC	0.900	1.450	1.500

**OBJECTIVE:**

- The Asia/Africa/Europe Regional Program helps cooperating countries in the region address international narcotics control issues and reduce narcotics production and trafficking.

**JUSTIFICATION:**

Illicit drug production in Southeast and Southwest Asia has soared as Burma and Afghanistan have increased opium poppy cultivation. Trafficking patterns continue to expand exponentially through South and East Asia and into the Middle East and Africa as local drug trafficking organizations prosper and develop into worldwide networks. Weak governments with poorly developed and financed law enforcement infrastructures provide fertile environments in which trafficking organizations have flourished. The transnational character of illicit narcotics trafficking requires a regional approach to multilateral and bilateral programs.

**FY 1996 Program**

Further evidence of growing heroin shipments to, and addiction in, the United States demands augmented resources applied with maximum flexibility over half the globe. This regional account complements U.S. drug control funding through international organizations such as UNDCP.

**Afghanistan.** Narcotics control is one of our highest national interests with Afghanistan. FY 1996 funds will build upon small cross-border crop control and agricultural outreach projects designed to encourage farmers to substitute food and cash crops for opium poppy. At the same time, law enforcement assistance will be provided when national law enforcement forces are established and devoted to narcotics control. All assistance will continue to be coordinated with the United Nations and other donors.

*INTERNATIONAL NARCOTICS CONTROL*

**Other Countries.** FY 1996 funds will provide equipment to law enforcement organizations in the region, demand reduction materials and other counternarcotics programs in African, Asian and European countries.

**U.S. Personnel.** This account supports an European Liaison Office in Brussels, which works with governments of the developed countries in Europe, as well as Japan and Australia, to increase their financial support for counternarcotics efforts and involvement in multilateral drug control programs. In FY 1995, the Department of State will open a new Narcotics Affairs Section (NAS) in Moscow.

**EFFECTIVENESS MEASUREMENT:**

- Increased institutional capacities in key counternarcotics countries in the region.
- Increased public drug awareness and decreased market demand for drugs in host countries.

## INTERNATIONAL NARCOTICS CONTROL

<b>ASIA/AFRICA/EUROPE REGIONAL INC BUDGET (\$000)</b>
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	<u>FY 1994</u>	<u>FY 1995</u>	<u>FY 1996</u>
<b>Afghanistan</b>	100	200	200
Crop control, agricultural outreach, and law enforcement assistance			
<b>Other Countries</b>			
<b>Commodities</b>	200	400	400
Vehicles, communications equipment, information systems, investigative and other equipment			
<b>Other Costs</b>	200	400	400
Training and operations support, surveys			
<b>U.S. Personnel</b>			
TDY experts, technicians	50	50	50
<b>Narcotics Affairs Liaison Office</b>	350	400	450
<b>TOTAL</b>	<b>900</b>	<b>1,450</b>	<b>1,500</b>

## INTERNATIONAL NARCOTICS CONTROL

## INTERREGIONAL AVIATION

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

DESCRIPTION: The interregional aviation program supports governments in South and Central America and the Caribbean to eradicate drug crops, interdict drug trafficking activities, and to develop their own institutional counternarcotics aviation capabilities.

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS):

	1994 Actual	1995 Estimate	1996 Request
INC	19.000	24.000	21.000

## OBJECTIVES:

- Aerially eradicate drug crops with pesticides and/or transport workers for manual destruction of drug crops.
- Support institution building of cooperating host governments' aviation programs.
- Destroy cocaine and heroin processing laboratories and interdict drug trafficking activities by aerial transport of host government law enforcement agencies.
- Conduct aerial reconnaissance to locate drug drops and production facilities and verify eradication program results.

## JUSTIFICATION:

The Administration's strategy shifts counterdrug program emphasis from transit trafficking countries to crop control efforts and source countries. Since nearly all drugs are produced in remote, underdeveloped, inaccessible regions where both infrastructure and law enforcement are minimal, aircraft are required to eradicate drug crops and to move personnel and equipment. In response to host government requests for assistance, the interregional aviation program provides eradication aircraft and aviation support services.

**Accomplishments.** Aerial eradication programs are underway now in most South American drug producing countries. U.S.-funded institution-building assistance is making important progress throughout Latin America, leading to enhanced local capabilities and reduced American contractor staffing. In Bolivia, all missions are flown by Bolivian Air Force (BAF) pilots, including those requiring night vision goggles, and an increasing share of maintenance and logistics support is performed by the BAF. In Peru, all missions are flown by Peruvian National Police (PNP) pilots and the PNP is pursuing an aggressive maintenance training program. The Colombian National Police (CNP) is utilizing U.S. assistance in pursuing aggressive two-pronged efforts against opium and coca cultivation and cocaine smuggling.

*INTERNATIONAL NARCOTICS CONTROL*

Interregional aviation activities play a vital role in implementing the President's decision to shift the emphasis of U.S.-funded international counternarcotics interdiction activities from the drug transit zone to drug producing countries. Under a new mobile basing strategy in Peru, U.S.-owned helicopters transport PNP personnel and U.S. law enforcement advisors on counternarcotics operations throughout eastern Peru. In Bolivia, U.S.-owned helicopters enable the Bolivian government to project authority over vast areas where drug traffickers previously operated with impunity. While some support for interdiction projects in Central American drug transit countries is being reduced; we are retaining the capability to intercept drug smuggling aircraft, day or night.

In FY 1995, the interregional aviation program will continue to: respond to aerial eradication requests from Latin American countries; assist eradication programs in Guatemala, Belize, Panama, Colombia, and Venezuela; and support helicopter operations in Colombia, Peru, and Bolivia.

**FY 1996 Program**

Interregional aviation activities will continue to focus on key programs in Colombia, Bolivia, Peru, and Guatemala, with temporary deployments of aircraft and personnel elsewhere in the Andean region and Central America. Progress will continue in reaching self-sufficiency status for our aircraft maintenance and training programs in Bolivia and Peru. Further emphasis will be made on aerial eradication of drug crops in South American countries.

**Operations Support** includes funding for the administrative costs associated with our Inter-Service Support Agreement (ISSA) with Patrick Air Force Base which provides hangar space, utilities, refuse collection, etc. and funding support for DOD officers assigned as interregional aviation staff and other direct-hire personnel.

**EFFECTIVENESS MEASUREMENT:**

- Eradication of drug crops with aerially-applied pesticides.
- Enhanced host government institutional capabilities to undertake counternarcotics air operations safely and effectively.
- Continued transport of personnel, resupply activities, and other logistics support for field activities.
- Aerial reconnaissance missions to pinpoint drug production areas and facilities and verification of eradication.

## INTERNATIONAL NARCOTICS CONTROL

<b>INTERREGIONAL AVIATION INC BUDGET (\$000)</b>
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	FY 1994	FY 1995	FY 1996
<b>Aviation Support Services Contract</b>			
48 aircraft fleet	16,000	18,700	18,000
<b>Parts, Maintenance, and Overhaul</b>			
DOD logistics services	1,750	4,000	1,900
Subtotal	17,750	22,700	19,900
<b>Operations Support</b>			
Direct-hire personnel( 7)	480	500	530
PASA travel and training, Patrick AFB	150	160	150
PASA travel and training, Washington and overseas staff.	100	60	40
Administrative services and program su	250	150	130
Base support, Patrick AFB	180	160	250
C-141 DOD Airlift	90	270	0
Subtotal	1,250	1,300	1,100
<b>TOTAL</b>	<b>19,000</b>	<b>24,000</b>	<b>21,000</b>

\* In FY 1994 \$1 mil was transferred into the Aviation Program from ONDCP increasing the program to \$20 mil.

## INTERNATIONAL NARCOTICS CONTROL

## INTERNATIONAL ORGANIZATIONS

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

DESCRIPTION: This program provides the U.S. contributions to counternarcotics programs of international organizations, including the United Nations International Drug Control Program (UNDCP), the Organization of American States (OAS) Inter-American Drug Abuse Control Commission (CICAD), the Colombo Plan, and the World Health Organization Program on Substance Abuse (WHO/PSA).

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS):

	1994 Actual	1995 Estimate	1996 Request
INC	5.000	6.500	11.500

## OBJECTIVES:

- Maintain strategic leadership in guiding the international drug control effort.
- Involve UNDCP and other international organizations to plan and execute programs which expand multilateral cooperation.

## JUSTIFICATION:

U.S. contributions to UNDCP have had significant impact on the operations and expansion of UN counternarcotics programs and policy. Furthermore, the level of U.S. contributions has also led to increased commitment from European donors, whose primary vehicle for international drug control efforts continues to be the UN. Recent U.S. contributions to UNDCP have led to:

- Establishing the first sub-regional projects between Thailand-Burma and China-Burma to eliminate opium poppy and increase interdiction efforts.
- Reducing opium poppy in the UNDCP project area of Dir, Pakistan, and developing a project to reach more remote and larger growing areas in the region.
- Expanding UNDCP activities to provide chemical control and money laundering investigative training.
- A regional training project in the Caribbean for prosecutors and judges working on narcotics-related cases.
- Coordinating bilateral and multilateral assistance to Eastern Europe and the Newly Independent States (NIS), and providing advice and legal expertise to the NIS to implement the 1988 UN Convention.

*INTERNATIONAL NARCOTICS CONTROL*

- Supporting the implementation of the SWAP by convening an international meeting in Islamabad, Pakistan, that included multilateral and bilateral donors. This meeting resulted in agreement on integrating a drug dimension in the work of the UN agencies involved in the rehabilitation of Afghanistan.

**OAS/CICAD.** U.S. pledges to OAS/CICAD have produced concrete results as well as stimulating increased anti-drug aid from other donors. Results include:

- Model regulations on the control of precursor and essential chemicals and control of money laundering.
- Assisting governments and non-governmental organizations to develop public awareness/drug abuse prevention campaigns and provide demand reduction training and community mobilization.
- A legal development program in Central America to assist countries to improve their legal infrastructures and to promote harmonization of drug laws within that region.
- Networking of organizations dedicated to assisting street children in the Andean countries and introducing drug abuse prevention activities to their programs. Models will be developed and shared with other regions.

**FY 1996 Program.** Funds will support expanded multilateral drug control objectives:

**UNDCP.** U.S. financial contributions will enhance UNDCP ability to:

- Develop a demand reduction strategy and expand demand reduction activity.
- Implement projects in key heroin-producing areas where the U.S. has limited access.
  - Subregional projects in Southeast Asia in Burma, China, Thailand, and Laos, and possibly in new areas including Cambodia and Vietnam.
  - \* The political changes in Afghanistan have prompted projects that target poppy growing and demand reduction.
  - \* In the NIS, UNDCP is designing projects to strengthen institutions that can target the drug trade. A UNDCP regional office based in Tashkent, Uzbekistan, will support these efforts.
  - UNDCP has begun to establish contacts in Lebanon and has planned a project that targets poppy growing and heroin production.
  - \* In Pakistan, UNDCP will need additional funds to continue projects that target the largest and most remote poppy growing areas of the Dir region.
  - \* Provide assistance to support strengthening host government institutions involved in the investigation, prosecution, and confinement of major drug traffickers.

*INTERNATIONAL NARCOTICS CONTROL*

- \* Support implementation of the UN drug conventions, such as providing legal advice, training for money laundering investigations, assistance for implementing chemical control regimes, and establishing a maritime working group to help increase maritime interdiction activities.

OAS/CICAD is working on a broad range of projects, including:

- Further action on control of precursor chemicals and money laundering.
- A drug abuse prevention program for Street Children in the Andes.
- Expanding the Central American Legal Development project and initiating a Judicial Development project for the Andean region.
- Developing a communications strategy, demand reduction and public awareness programs, and expanding treatment training.
- Coordinating international law enforcement training.
- Establishing demand reduction projects in the Caribbean and establishing a regional training center with UNDCP in Argentina.
- Holding arms trafficking workshops to enhance international cooperation in stopping the illegal movements of weapons in the hemisphere.
- An initiative to enhance the central drug coordinating bodies in the region. and
- Establishing an Experts Group on Alternative Development.

**COLOMBO PLAN.** The U.S. has traditionally provided funding to the Colombo Plan, the only regional organization responsible for both SAARC and ASEAN countries.

- As a result of the Colombo Plan-sponsored regional drug treatment training sessions in Southwest and Southeast Asia, Pakistan, India, Nepal, and Bangladesh have developed treatment programs in community and prison settings. Similar training sessions in Southeast Asia are the foundation for treatment programs in China, Malaysia, and Thailand.
- The Colombo Plan recently organized a coalition of drug prevention NGOs in Southeast Asia.
- FY 1996 funds will be used to continue regional treatment seminars in Southeast and Southwest Asia and to organize coalitions of NGOs in SAARC countries.

**EFFECTIVENESS MEASUREMENT:**

- Increase institutional infrastructure of cooperating countries to reduce the production and trafficking of drugs.

*INTERNATIONAL NARCOTICS CONTROL*

- Ratification of the 1988 UN Convention.
- Provision of law enforcement and demand reduction training, encourage maritime interdiction cooperation, and pursue control of precursor chemicals and money laundering.
- Expansion of UNDCP (and OAS) chemical control assistance activities.
- Progress on implementation of the Global Program of Action and the System Wide Action Plan (SWAP) to make drug control an integral part of UN programs.

*INTERNATIONAL NARCOTICS CONTROL*

<b>INTERNATIONAL ORGANIZATIONS INC BUDGET (\$000)</b>
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	<u>FY 1994</u>	<u>FY 1995</u>	<u>FY 1996</u>
U. N. International Drug Control	4,300	5,500	10,750
Colombo Plan, GAS	700	1,000	750
<b>TOTAL</b>	<b>5,000</b>	<b>6,500</b>	<b>11,500</b>

## INTERNATIONAL NARCOTICS CONTROL

LAW ENFORCEMENT TRAINING,  
DRUG AWARENESS AND DEMAND REDUCTION

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

DESCRIPTION: This program category includes two discrete functional activities. Law Enforcement Training is designed to assist cooperating countries in creating effective national organizations for investigating drug trafficking and interdicting illegal narcotics. Drug Awareness and Demand Reduction seeks to reduce the worldwide demand for illicit drugs through stimulating foreign governments and institutions to give increased attention to the negative effects of drug abuse upon societies.

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS):

	1994 Actual	1995 Estimate	1996 Request
INC	8.000	7.000	11.500

## OBJECTIVES:

## Law Enforcement Training:

- Contribute to the basic infrastructure for carrying out counternarcotics law enforcement activities in cooperating countries.
- Improve technical skills of drug law enforcement personnel in cooperating countries. and
- Increase cooperation between U.S. and foreign law enforcement officials.

## Drug Awareness and Demand Reduction:

- Strengthen the ability of host nations to conduct more effective demand reduction efforts on their own.
- Encourage drug producing and transit countries to invest resources in drug awareness, demand reduction, and training to build public support and political will for implementing counternarcotics programs. and
- Improve coordination of and cooperation in international drug awareness and demand reduction issues involving the U.S., donor countries, and international organizations.

*INTERNATIONAL NARCOTICS CONTROL***JUSTIFICATION:****Law Enforcement Training:**

International counternarcotics law enforcement training is managed and funded by the Department of State, and implemented by DEA, the U.S. Customs Service, and the U.S. Coast Guard.

Since 1971, USG agencies have trained more than 55,700 foreign narcotics law enforcement officers with approximately \$99.5 million. Training offered in the U.S. is tailored to senior policy and management-level officials and programs offered overseas are designed for operational personnel.

**Accomplishments.** FY 1994 narcotics law enforcement training promoted counternarcotics institutional development in cooperating nations. Training, recognized as a key element in developing political will to take action on narcotics problems, has contributed to successful interdiction campaigns, investigations, and development of infrastructure for self-training of enforcement officers. Basic instruction programs are being provided only in countries having limited experience with anti-narcotics activities. Most of the training scheduled is in such areas as executive and management development, asset forfeiture and financial investigations, use of special enforcement teams, counternarcotics security measures, and instruction techniques. Institution-building activities are key elements of the programs offered in FY 1994:

- DEA created a new one-week course designed to bring together top career drug law enforcement officials in different geographic regions, to discuss the latest trends in management of drug enforcement programs. DEA initiated several projects to provide intensive assistance to national drug enforcement units, most notably in Mexico, where program costs are being underwritten entirely by the Government of Mexico.
- Customs developed and started a course on internal controls and anti-corruption issues. The Customs training is heavily oriented toward developing local institutions.
- The U.S. Coast Guard broadened its involvement in providing assistance on port security, and scheduled a number of programs dealing with instruction techniques and management of interdiction programs.

**FY 1996 Program.** U.S.-funded training will continue to support host governments' ability to eliminate drug production and trafficking, particularly in areas being used as production and transit points for drugs reaching the U.S.

Law enforcement training will focus on the emerging problem of heroin abuse and trafficking. Programming has already taken place for countries involved in opium production and trafficking where USG access has improved recently (e.g., Central Asia, Cambodia and Vietnam), and efforts will continue to expand programs which target the heroin problem. Another area of focus will be countries of the former Soviet Union. During the last two fiscal years, a limited amount of such counternarcotics law enforcement training has been made available, but the region still has pressing needs for assistance which have not been met.

*INTERNATIONAL NARCOTICS CONTROL*

The increase in law enforcement training for FY 1996 goes beyond the traditional areas of basic investigations and interdiction to create integrated systems for narcotics law enforcement in such areas as money laundering, chemical controls, and judicial programs.

**Drug Awareness and Demand Reduction:**

**Accomplishments.** Because of U.S.-funded training and technical assistance, host governments have been able to engage their own national institutions, communities and resources to reduce the demand for illicit drugs. The U.S. has encouraged donor countries and international organizations to provide support to international demand reduction programs.

Significant demand reduction accomplishments include the following:

- Countries in Latin America and South Asia developed and staffed their own drug treatment/prevention programs.
- Countries implemented their own national level drug awareness campaigns in the Caribbean and Central America, and conducted their own national level epidemiological surveys in South America.
- Countries in South America and Asia developed regional training centers for demand reduction.
- The European Community, UNDCP, OAS, PAHO, Colombo Plan, and host governments co-sponsored with the U.S. regional training events in Latin America and South Asia, and the development of specialized drug prevention projects for high-risk youth in Latin America.

**FY 1996 Program.** U.S.-funded training will continue to strengthen host nation counternarcotics institutions so they can conduct more effective demand reduction and public awareness programs on their own. The program will give particular attention to cocaine producing and transit countries in Latin America and address the emerging heroin threat from South Asia. Another area of focus will be in countries of Eastern Europe and the former Soviet Union. The program will also increase collaborative multilateral projects with other donor countries and international organizations as reflected in the Administration's new National Drug Control Strategy.

The increase in training and technical assistance in FY 1996 goes beyond the traditional emphasis on treatment, prevention, education, and public awareness. While training will be increased in these four areas, the program will expand its focus to include the development of national, regional, and international coalitions of public/private sector organizations to strengthen international cooperation and actions against the drug trade.

The public awareness program will enhance the ability of host countries to build public support and strengthen the political will for implementing counternarcotics programs. Training will focus on the development of national-level drug awareness campaigns that demonstrate connections between the drug trade and other concerns such as economic growth, democracy, and the environment. Technical assistance will focus on helping host governments conduct sustained drug awareness campaigns by developing linkages between the corporate sector and

*INTERNATIONAL NARCOTICS CONTROL*

the mass media. The public awareness program will also help develop regional and international coalitions of non-government organizations (NGOs) to mobilize international opinion against the drug trade and encourage governments to develop and implement strong counternarcotics policies and programs.

The demand reduction program will work at the policy and grassroots levels to build a public/private base to sustain pressure against the drug trade. At the policy level, the program will focus assistance on building national-level counternarcotics institutions with the capacity to develop comprehensive demand reduction policies, programs, and strategies. At the grassroots level, the program will help establish and sustain community partnerships among businesses, schools, religious groups, law enforcement, and the media. A goal of strong community-based partnerships is to establish demand reduction programs which address drug-related crime and violence and support national policies.

**EFFECTIVENESS MEASUREMENT:****Law Enforcement Training:**

- Appropriate foreign personnel receive professional training and are subsequently utilized to carry out counternarcotics activities.
- Over time, host nations become less dependent on U.S. assistance, and are able to deliver a wide range of anti-narcotics training on their own. and
- Training results in closer cooperation with U.S. enforcement agencies, leading to enforcement actions which are disruptive to the illicit drug trade.

**Drug Awareness and Demand Reduction:**

- Number of community partnerships and coalitions established.
- Number of treatment and prevention programs established:
- Number of public awareness campaigns initiated.
- Number of epidemiology/drug consumption surveys initiated. and
- Collaborative projects with other donor countries and international organizations.

## INTERNATIONAL NARCOTICS CONTROL

<b>NARCOTICS LAW ENFORCEMENT TRAINING,          DRUG AWARENESS AND DEMAND REDUCTION          INC BUDGET          (\$000)</b>
--

	<u>FY 1994</u>	<u>FY 1995</u>	<u>FY 1996</u>
--	----------------	----------------	----------------

<b>Narcotics Law Enforcement Training</b>			
Drug Enforcement Admin. trainin	3,633	2,900	3,500
Customs Service training	2,100	1,900	2,100
Coast Guard training	437	400	400
Narcotic detector dog training	400	400	400
Visitor programs/exchanges	100	100	100
Subtotal	<u>6,670</u>	<u>5,700</u>	<u>6,500</u>
<b>Drug Awareness and Demand Reduction</b>			
Contracts/Grants/Agreements	930	900	3,000
Training	400	400	2,000
Subtotal	<u>1,330</u>	<u>1,300</u>	<u>5,000</u>
<b>TOTAL</b>	<b>8,000</b>	<b>7,000</b>	<b>11,500</b>

## INTERNATIONAL NARCOTICS CONTROL

## PROGRAM DEVELOPMENT AND SUPPORT

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

DESCRIPTION: Program development and support (PD&S) funds provide program-wide policy, technical, and administrative support for the Department of State, international narcotics control program of the Bureau of International Narcotics and Law Enforcement Affairs (INL). PD&S funds are managed by Washington-based personnel for program planning, design and evaluation, special studies, and short-term technical assistance.

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS):

	1994 Actual	1995 Estimate	1996 Request
INC	6.000	6.300	6.500

## OBJECTIVES:

- Develop and manage narcotics control activities of the Department of State, coordinates with other U.S. Government agencies, and provides program, financial, procurement, administrative guidance and assistance for the programs world-wide.

## JUSTIFICATION:

The PD&S budget for FY 1996 will provide salaries and expenses for 69 full-time employees, reimbursable administrative services from other State Department bureaus, and reimbursable support from other agencies. Seven other direct-hire employees and two reimbursable are assigned to support the interregional aviation program.

The Assistant Secretary for INL is responsible for an increasingly complex counternarcotics program. Washington headquarters staff activities include: guiding, evaluating, and backstopping programs overseas; conducting periodic visits to embassy narcotics affairs sections to review, analyze, and make recommendations on programs; developing or sponsoring management control seminars for overseas staff; developing training programs for new personnel; coordinating liaison functions with other agencies and governments; and other program management functions. PD&S funds also support short-term evaluations, special public affairs materials, and administrative support for the INL bureau.

Headquarters staff provide administrative support to personnel working in international criminal justice functions of the INL Bureau. Salaries and expenses for the office of International Criminal Justice (ICJ) is supported by the Department's Salary and Expense (S&E) account.

The increase in the FY 1996 PD&S budget corresponds to funding 121 positions, the annual government-wide cost of living adjustment approved by Congress, justified promotions and in-grade step increases, employee transfer costs, and inflation.

## INTERNATIONAL NARCOTICS CONTROL

<b>PROGRAM DEVELOPMENT AND SUPPORT</b> <b>INC BUDGET</b> <b>(\$000)</b>
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	FY 1994	FY 1995	FY 1996
Domestic direct-hire personnel	4,675	4,725	4,800
Reimbursable personnel support	475	300	350
Short-term contract technical specialists and consultants	50	250	250
Travel Costs (includes PCS)	325	350	350
Staff training	50	50	50
Administrative services	325	375	400
Computer equipment upgrading	25	100	100
Special studies and evaluations	75	150	200
<b>TOTAL</b>	<b>6,000</b>	<b>6,300</b>	<b>6,500</b>

## INTERNATIONAL NARCOTICS CONTROL

**FY 1996  
INTERNATIONAL NARCOTICS CONTROL  
DIRECT HIRE STAFFING**

**FY 1996 Staffing.** The programs of the Bureau of International Narcotics and Law Enforcement Affairs (INL) will be administered from Washington by the Assistant Secretary, whose salary is paid by the Department of State's Salaries and Expenses appropriation, and a staff of 78 domestic employees, six reimbursable support personnel assigned to other bureaus, and three reimbursable support positions from other agencies.

A total of 26 direct-hire American field positions and 18 direct-hire foreign national positions are financed from INL country program funds to implement the Bureau's narcotics efforts overseas.

Excluding the Assistant Secretary position and 6 International Criminal Justice positions funded by the Department of State Salary and Expenses account, INL funds 103 full-time American direct-hire positions and 18 foreign national positions to manage its narcotics programs, distributed as follows:

	American	Local	Total
<b>Domestic</b>	77	0	77
<b>Overseas</b>	[26]	[18]	[44]
Bahamas	1	-	1
Belgium	1	-	1
Bolivia	4	3	7
Brazil	1	-	1
Colombia	4	3	7
Ecuador	1	1	2
Guatemala	1	1	2
Jamaica	1	-	1
Laos	1	-	1
Mexico	1	2	3
Russia	1	-	1
Pakistan	2	2	4
Panama	1	-	1
Peru	3	2	5
Thailand	2	4	6
Venezuela	1	-	1
<b>TOTAL</b>	<b>103</b>	<b>18</b>	<b>121</b>

**MIGRATION AND REFUGEE ASSISTANCE  
EMERGENCY REFUGEE AND MIGRATION ASSISTANCE**

**FY 1996  
OVERVIEW**  
*(dollars in thousands)*

	FY 1994 Enacted	FY 1995 Estimate	FY 1996 Request	Inc./Dec. (-)
MRA	\$670,688	\$671,000	\$671,000	--
ERMA	<u>79,261</u>	<u>50,000</u>	<u>50,000</u>	--
<b>TOTAL</b>	<b>749,949</b>	<b>721,000</b>	<b>721,000</b>	--

Providing humanitarian assistance is a fundamental policy objective of the President's FY 1996 International Affairs budget; refugee and migration assistance is a major component of the humanitarian assistance policy objective. The Migration and Refugee Assistance (MRA) appropriation and the Emergency Refugee and Migration Assistance Fund (ERMA) are administered by the Department of State. These programs span the range of international refugee assistance needs encompassing emergency assistance, long-term care and maintenance requirements, and repatriation or resettlement.

The Department requests \$721,000,000 for refugee and migration assistance funding in FY 1996. This request includes \$671,000,000 for Migration and Refugee Assistance and \$50,000,000 for the Emergency Refugee and Migration Assistance Fund.

The MRA is an annual appropriation used to fund (1) overseas assistance activities, (2) the admission of refugees to the United States, (3) a grant to support resettlement in Israel, and (4) the administrative expenses of the Bureau of Population, Refugees, and Migration (PRM).

ERMA is a no-year appropriation, drawn upon by the President to meet "unexpected urgent refugee and migration needs" when he determines that it is "important to the national interest" to do so. In FY 1994, ERMA was used to respond to urgent and unexpected assistance needs of Rwandans, Burundi, Haitians, and Cubans.

**FY 1996**  
**MRA SUMMARY STATEMENT**  
*(dollars in thousands)*

1994 Enacted		1995 Estimate		1996 Request		Inc./Dec. (-)	
Positions	Funds	Positions	Funds	Positions	Funds	Positions	Funds
110	\$670,688	109	\$671,000	108	\$671,000	(1)	--

### I. Summary

The programs funded by the Department of State's Migration and Refugee Assistance (MRA) appropriation uphold humanitarian principles that the United States shares with others in the international community by providing assistance to victims of persecution and civil strife. These programs support the protection of refugees and conflict victims, the provision of basic needs to sustain life and health, and the resolution of refugee problems through repatriation, local integration, or permanent resettlement in a third country -- including the United States. These objectives are achieved largely by providing assistance through international organizations and by providing resettlement opportunities for refugees in the United States. In carrying out these objectives, the Department sustains a U.S. leadership role in the world community in responding to the needs of refugees and conflict victims.

#### ♦ Overseas Assistance

There are approximately 24 million refugees and person of concern to the United Nations High Commissioner for Refugees (UNHCR). An additional 3.1 million Palestinian refugees are registered with the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA). Many of the world's refugees and victims of conflict have little hope for more than mere survival without adequate international assistance, and their protection and care are shared international responsibilities.

The *Migration and Refugee Assistance Act of 1962, as amended*, provides for U.S. support of UNHCR, the International Committee of the Red Cross (ICRC), the International Organization for Migration (IOM), and other relevant international organizations. Accordingly, the Department contributes the majority of its Overseas Assistance funds to programs administered by international organizations. When the President determines it will contribute to the foreign policy interest of the United States and if required to address specific assistance needs, the Department may also support the programs of non-governmental organizations that carry out relief services overseas -- many in conjunction with the programs of international organizations. In addition, the Department may provide bilateral assistance directly to governments and governmental agencies.

Both the humanitarian traditions of the United States and domestic interest in many international issues support generous responses to the needs of refugees and conflict victims. The levels of U.S. contributions depend on the nature and urgency of the needs, the prospects for successful project

## MIGRATION AND REFUGEE ASSISTANCE

implementation, the responses of other donors, the availability of funds, and U.S. foreign policy interests. No standard formula or uniform U.S. percentage share is appropriate for all contributions.

In recent years, multilateral and non-governmental organizations, faced with multiple new humanitarian emergencies and expanding repatriation opportunities, have increased their appeals for funding. Ethnic and nationalist tensions have created new areas of conflict and new populations of displaced persons and refugees. The numbers of refugees and displaced persons in Europe, for example, is higher than at any time since World War II as a result of conflicts in the former Yugoslavia, the Caucasus, and other areas of the Newly Independent States (NIS) of the former Soviet Union. This increase and new sources of asylum seekers are challenging the viability of the international protection system and putting new demands on the United States and the international community to respond to humanitarian needs around the world.

#### ◆ *Refugee Admissions*

For the vast majority of the world's refugees, the safe return to their home countries or the establishment of new lives in first asylum countries is the preferred solution, rather than resettlement in the United States or another third country. While third country resettlement is not appropriate or an option for most refugees, it remains the only viable solution for some.

The U.S. refugee admissions program aims to provide resettlement opportunities to individuals for whom other options are not possible and/or who have special ties to the United States. The program is consistent with the long-standing U.S. commitment to humanitarian principles; it assists individuals who are victims of persecution and who have no recourse other than to search for new homes and new lives in foreign lands. For those refugees resettled in the United States, the admissions program offers a chance to rebuild their lives. The United States also encourages other countries to participate in resettlement efforts.

Of the 110,000 projected refugee admissions in FY 1995, approximately 80,000 are expected to be admitted directly from their countries of origin. Direct departure programs from Vietnam, Cuba, Haiti, and the former Soviet Union were established to obviate the need for applicants to seek temporary asylum in a transit country. U.S. refugee admissions programs for persons in first asylum countries offer a durable solution for certain refugees of special humanitarian concern to the United States.

#### ◆ *Refugees to Israel*

This program supports resettlement in Israel from certain other countries. Most of these funds provide transportation, en route care and maintenance, and temporary accommodation upon arrival in Israel. Funds also are used to provide direct assistance for the elderly, the handicapped, and children requiring institutional care.

#### ◆ *Administrative Expenses*

In FY 1994 and FY 1995, funds for the administrative expenses of the Bureau in the amounts of \$11,500,000 and \$11,900,000, respectively, were included in the Diplomatic and Consular Programs appropriation, in accordance with the *Foreign Relations Authorization Act, Fiscal Years 1994 and*

*MIGRATION AND REFUGEE ASSISTANCE*

1995. In FY 1995, funds for the administrative expenses of the Bureau of Population, Refugees, and Migration finance the salaries and operating costs associated with a staff of 109 employees located in Washington and at 13 overseas posts. Since FY 1994, the Bureau has had responsibility for population policy and coordination.

## **II. FY 1996 Plans**

Progress will continue to be made in reaching durable solutions for refugee populations in FY 1996. Significant progress has been made in addressing one of the world's long standing refugee problems with the repatriation of over 1.5 million Mozambicans, as well as smaller numbers of Burmese, Afghans, Guatemalans, and Ethiopians. Durable solutions relieve the burden on the international assistance budgets that provide for the care and maintenance of refugees in asylum countries. Assistance funds, therefore, may be used to support communities in their initial reintegration of refugees who have repatriated. A small portion of MRA program funds will be used to finance studies and Bureau oversight necessary to evaluate programs carried out by recipients of U.S. funds.

### **◆ Overseas Assistance**

Although the composition of the current refugee and conflict victim population may change somewhat in FY 1996, the concluding phase of Mozambican repatriation, along with continued progress in the repatriation of Burmese, Afghans, and Guatemalans would reduce certain refugee populations in first asylum. However, it is unlikely that no new outflows will occur. Since 1989, the numbers of refugees and persons of concern to UNHCR has increased from less than 15 million to approximately 24 million in 1994. In all regions, international attention will continue to be focused on the need to incorporate the abilities and needs of refugee women and the special needs of refugee children into protection and assistance program design, implementation, and evaluation.

The majority of funds in Overseas Assistance is expected to be used for UNHCR General and Special Programs, the emergency appeals of ICRC, and programs of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA). In addition, funds are contributed to the World Food Program (WFP) for the costs of its programs on behalf of populations of concern to UNHCR. Funds are used to support activities of relevant international or non-governmental organizations that address multiregional problems or aspects of international migration.

The FY 1996 request also includes funds for a voluntary contribution in support of ICRC headquarters operations at 10 percent of the estimated budget, as well as funds for the U.S. assessment for the IOM administrative budget at 30 percent. U.S. contributions, which provide institutional funding for ICRC and IOM, underscore our strong support for the work carried out by these organizations worldwide.

### **◆ Refugee Admissions**

The FY 1996 budget request includes funds to finance the resettlement of up to 90,000 refugees in the United States. Although a specific admissions number is necessary to calculate estimated costs, the final number and regional allocations will be determined during the annual consultations process with Congress later in the fiscal year. These funds cover the costs of processing refugee applicants, training and transporting refugees accepted for resettlement to the United States, and their initial reception and placement in the United States. The program for refugees from the former Soviet Union will continue

*MIGRATION AND REFUGEE ASSISTANCE*

to be implemented through the Washington Processing Center (WPC) and enhanced processing services in Moscow.

The FY 1996 request for refugee admissions is \$126,300,000, a decrease of \$43,700,000 from the FY 1995 estimate. This reduction reflects an estimated decrease of 20,000 admissions (from 110,000 to 90,000), reduced transportation costs, and the closure of certain English language training programs.

◆ *Refugees to Israel*

The FY 1996 request includes \$80,000,000 to support resettlement in Israel through a grant to the United Israel Appeal. This request maintains the FY 1995 grant level of \$80,000,000.

◆ *Administrative Expenses*

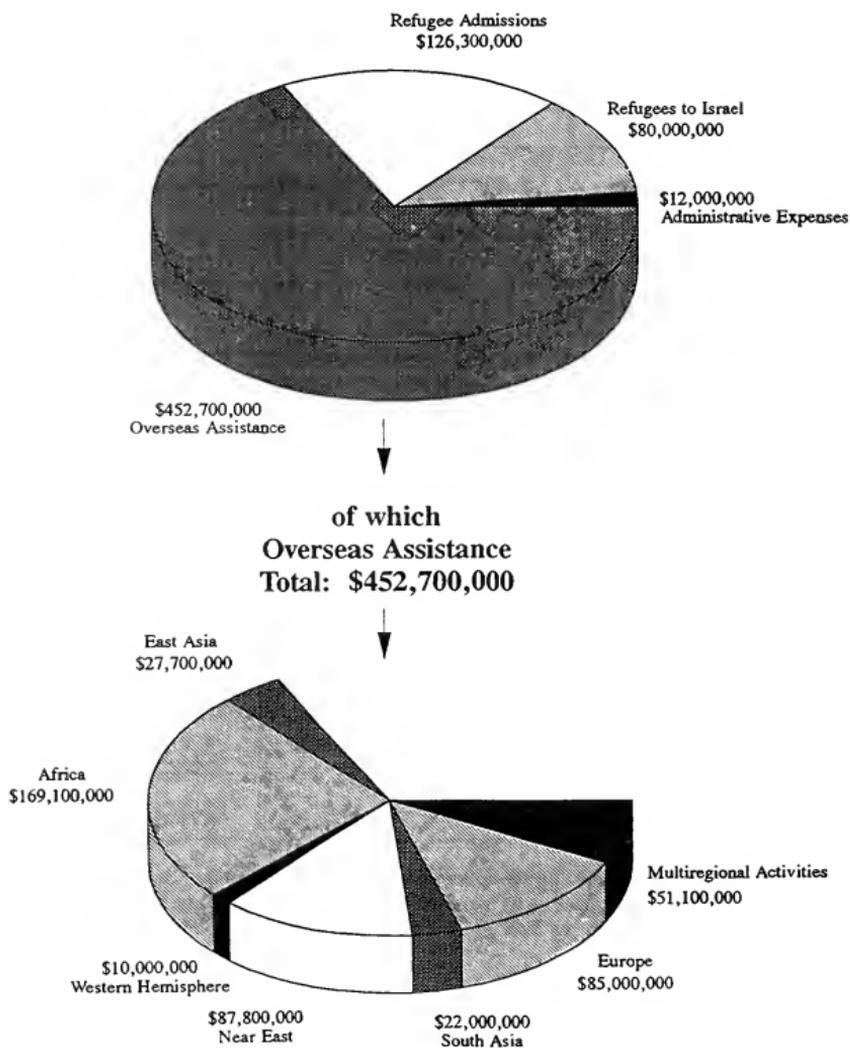
The FY 1996 request covers the salaries and administrative support costs of 108 positions in the Bureau of Population, Refugees, and Migration. In FY 1994 and FY 1995, funds for the administrative expenses of the Bureau in the amounts of \$11,500,000 and \$11,900,000, respectively, were included in the Diplomatic and Consular Programs appropriation, in accordance with the *Foreign Relations Authorization Act, Fiscal Years 1994 and 1995*.

**FY 1996**  
**MRA SUMMARY BY PROGRAM**  
*(dollars in thousands)*

	FY 1994 Enacted	FY 1995 Estimate	FY 1996 Request	Inc./Dec. (-)
Overseas Assistance				
Africa	\$150,500	\$157,500	\$169,100	\$11,600
East Asia	36,900	32,500	27,700	(4,800)
Western Hemisphere	8,100	9,000	10,000	1,000
Near East/North Africa	93,149	87,000	87,800	800
South Asia	27,851	22,000	22,000	--
Europe	93,000	75,000	85,000	10,000
Multiregional Activities	26,413	38,000	51,100	13,100
Subtotal, Assistance	435,913	421,000	452,700	31,700
Refugee Admissions	154,775	170,000	126,300	(43,700)
Refugees to Israel	80,000	80,000	80,000	--
Administrative Expenses /1	--	--	12,000	12,000
Appropriation Total	670,688	671,000	671,000	--

/1 In FY 1994 and FY 1995, funds for the administrative expenses of the Bureau in the amounts of \$11,500,000 and \$11,900,000, respectively, were included in the Diplomatic and Consular Programs appropriation, in accordance with the *Foreign Relations Authorization Act, Fiscal Years 1994 and 1995*.

**FY 1996 Budget Request  
Migration and Refugee Assistance  
Total: \$671,000,000**



## FY 1996 JUSTIFICATION OF PROGRAM ACTIVITIES

### Overseas Assistance *(dollars in thousands)*

1994 Enacted	1995 Estimate	1996 Request	Inc./Dec.(-)
\$435,913	\$421,000	\$452,700	\$31,700

The FY 1996 overseas assistance request is \$452,700,000, an increase of \$31,700,000 over the FY 1995 estimate.

The primary focus of international protection and assistance funds is on meeting short-term, life-sustaining needs of refugees and conflict victims overseas. Many nations hosting large groups of refugees and victims of conflict are among the world's least developed. Their presence often strains limited resources and may result in serious problems that affect U.S. foreign policy interests. In an effort to reduce the need for people to cross international boundaries, the United Nations High Commissioner for Refugees (UNHCR) has undertaken cross border and internal assistance programs (e.g. Somalia, Bosnia, and Tajikistan) which attempt to address the root causes of refugee flows. It is expected that this approach will continue. These factors have been taken into consideration in determining specific regional assistance request levels.

U.S. refugee policy is based on the premise that the care of refugees and conflict victims and the pursuit of permanent solutions for refugee crises are shared international responsibilities. Accordingly, most overseas assistance funds will be contributed to programs administered by international organizations. Although the United States is just one of many donors, in most cases the U.S. Government is the largest individual donor. While some of these programs are discussed in the regional presentations that follow, the use of U.S. funds is not limited to these organizations. U.S. support may be provided to other organizations as required to meet specific program needs and objectives.

Chief among the international organizations receiving refugee assistance funds is the **United Nations High Commissioner for Refugees (UNHCR)**, which has a worldwide mandate to assist host governments to protect and care for refugees as well as to promote lasting solutions to refugee situations. In 1996, it is anticipated that UNHCR will make additional progress in orienting protection and assistance activities toward refugee women and children who comprise about 80 percent of the entire refugee population. It is also anticipated that UNHCR will continue efforts to increase the self-sufficiency of all refugees, with particular emphasis on increasing the self-sufficiency of refugee women.

**The International Committee of the Red Cross (ICRC)** is an independent, internationally funded, humanitarian institution mandated under the terms of the Geneva Conventions to act as a neutral

*MIGRATION AND REFUGEE ASSISTANCE*

intermediary in armed conflict. The United States is party to the Geneva Conventions, under which ICRC is called upon to provide assistance and protection to prisoners of war and political detainees, assist and protect civilian victims of armed conflict, provide needed medical assistance to conflict victims, trace missing persons and separated family members, and disseminate information on the principles of humanitarian law.

**The United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA)** has a continuing mandate from the United Nations to provide educational, medical, relief, and social assistance to the 3.1 million Palestinian refugees located in Jordan, Syria, Lebanon, the Gaza Strip, and the West Bank.

**The International Organization for Migration (IOM)** provides vital services to migrants and refugees worldwide at the request of interested nations. IOM seeks to ensure the orderly migration of persons who are in need of international migration assistance. This objective includes providing technical assistance to governments in the development of migration policy and national institutions.

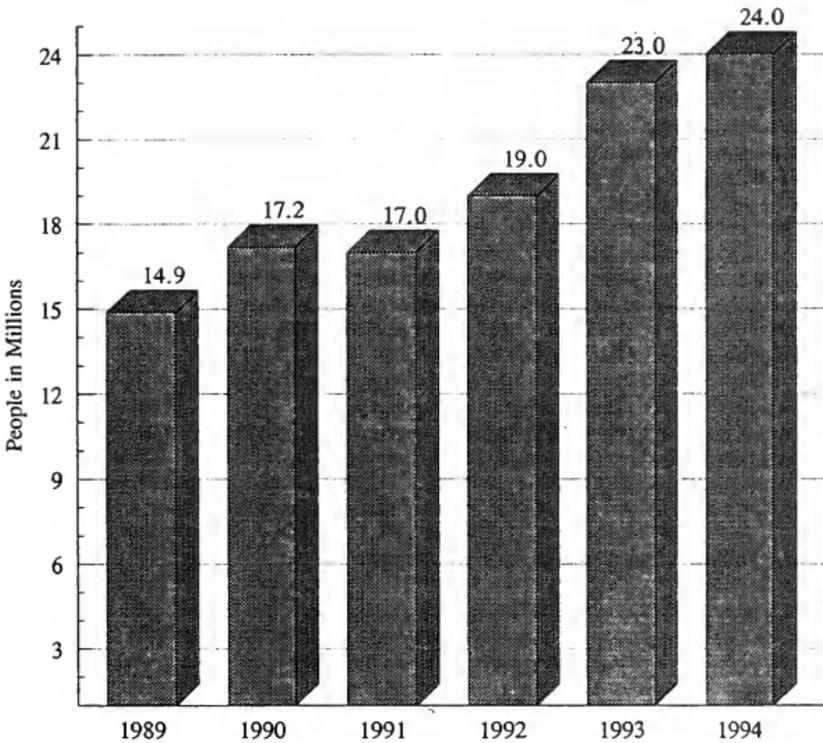
**The World Food Program (WFP)** is the principal vehicle for multilateral food aid within the UN system. WFP distributes commodities supplied by donor countries for development projects, protracted refugee and displaced person projects, and emergency food assistance. The U.S. Government provides food commodities to WFP under other appropriations. Funds will be contributed to WFP toward the expenses of refugee feeding programs undertaken in cooperation with UNHCR.

In general, this request will be used to respond to the calendar year budget appeals issued by international organizations. As new or changing assistance needs arise, however, some organizations find it necessary to issue new or increased appeals for funds during the course of the year. Therefore, this request may be used during the first quarter of the fiscal year to respond to urgent appeals that may be issued late in the calendar year.

A continuing element of the assistance effort will be support for lasting solutions to refugee problems. The FY 1996 request will be used to respond to programs as they evolve from care and maintenance in first asylum countries to repatriation. Funds also may be used to assist in the initial reintegration of refugees who have repatriated.

The Department may reallocate funds between regions or organizations within the overseas assistance request level of \$452,700,000 in response to changing requirements.

**REFUGEES AND PERSONS OF  
CONCERN TO UNHCR \***  
1989 - 1994



\* Does not include Palestinian refugees. They come under the mandate of the United Nation Relief and Works Agency for Palestine Refugees in the Near East (UNRWA). See page 17 for UNRWA statistics.

(Source 1989-1993, UNHCR, 1994, State Department estimate)

### Assistance Programs in Africa

(dollars in thousands)

1994 Enacted	1995 Estimate	1996 Request	Inc./Dec.(-)
\$150,500	\$157,500	\$169,100	\$11,600

The Department requests \$169,100,000 to respond to the basic needs of refugees and conflict victims in sub-Saharan Africa, an increase of \$11,600,000 over the FY 1995 estimate.

The requested increase reflects both a growth in African refugee numbers and anticipated opportunities for conflict resolution and repatriation. With over 6 million refugees, sub-Saharan Africa continues to host about one-third of the world's refugees and a much greater share of the world's internally displaced persons. These are not static populations. A successful peace agreement in Mozambique should allow for the repatriation of all 1.6 million Mozambican refugees by the end of 1995. That change was more than offset by the unparalleled refugee outflow that followed genocide in Rwanda in 1994. At the beginning of 1995, over 2 million refugees from Rwanda and the related crisis in Burundi were still in uncertain asylum. The number of Liberian refugees grew in 1994 as the interior of Liberia moved back into open warfare. At the beginning of 1995, the war in Sierra Leone started pushing Sierra Leonian refugee numbers above the 300,000 mark. In contrast to years past, the Horn of Africa in early 1995, with the significant exception of Sudan, demonstrated prospects for repatriation to Ethiopia, Eritrea, and even Somalia. Periodic ethnic clashes in Chad, Kenya, and Zaire caused added displacement throughout 1994 while moves to crack down on illegal immigration in West and Central Africa gave rise to fears of future mass displacements.

Continuing ethnic tension, human rights abuses, competition for resources, political change, religious persecution, and armed conflict can be expected to generate substantial numbers of additional refugees in the short term. Where conflicts can be brought to a negotiated settlement, it should be possible for refugee repatriation to be part of the overall solution -- for example, in Mozambique. Disarmament, demining, and demobilization present inter-related challenges to resolving refugee problems.

#### ♦ *United Nations High Commissioner for Refugees*

As in years past, the U.S. contribution to UNHCR programs in Africa in 1996 will fund protection and the most basic material assistance to save and maintain lives of refugees and other conflict victims of concern to UNHCR. UNHCR activities must address the fundamental protection and assistance needs while pursuing opportunities for permanent solutions for some refugee populations. It is expected that UNHCR will meet the minimum international standards in such areas as public health, nutrition, and sanitation, provide basic educational programs, and implement efforts to promote self-sufficiency so that refugees can integrate with local populations where possible. Self-sufficiency lowers the care and maintenance costs to the international community while creating conditions conducive to the continued provision of first asylum. In cases where refugees have little to no access to arable land (for example, in Kenya and Zaire), self-sufficiency will be unattainable.

*MIGRATION AND REFUGEE ASSISTANCE*

In 1996, UNHCR is expected to continue implementing repatriation programs for some of the largest and most enduring of Africa's refugee populations -- including the Ethiopians and Eritreans. Should peace talks prove fruitful, Angolans and Liberians, or even substantial numbers of Rwandans and Burundi, could be added to that list. Repatriation assistance for returning refugees includes transportation home, a small package of household and agricultural items to facilitate the returnees' re-establishment, and limited rehabilitation of social infrastructure, such as clinics and water projects. U.S. support for ongoing repatriations will be provided from MRA funds to the extent possible, once basic care and maintenance requirements for existing refugee populations have been met.

◆ *International Committee of the Red Cross*

ICRC, often in partnership with other elements of the international Red Cross movement, is called upon to provide a first relief response in new humanitarian crises resulting from armed conflict. The ICRC program in Africa provides relief and medical assistance to conflict victims and displaced persons, and assistance to political prisoners and prisoners of war. Sometimes in cooperation with UN agencies, ICRC provides relief in areas of heavy conflict and depends largely on the cooperation of the warring parties. ICRC also undertakes tracing services (for detainees as well as family members separated by conflict), individual refugee repatriation, and in some cases refugee protection and assistance.

◆ *World Food Program*

In past years, contributions to WFP have supported feeding programs for refugees and displaced persons from Liberia and Sierra Leone, for Ethiopian and Eritrean refugees in Sudan, and for Somali and Sudanese refugees in Kenya. In FY 1996, funds may be contributed to WFP for the expenses of programs undertaken in conjunction with UNHCR.

◆ *Other International Organizations/Non-Governmental Organizations*

Funds may be used for assistance needs not covered by UNHCR and ICRC that are addressed by governmental or non-governmental organizations, some specialized UN agencies such as the United Nations International Children's Educational Fund (UNICEF), and the International Federation of Red Cross and Red Crescent Societies, among others.

## Assistance Programs in East Asia

*(dollars in thousands)*

1994 Enacted	1995 Estimate	1996 Request	Inc./Dec.(-)
\$36,900	\$32,500	\$27,700	(\$4,800)

The Department requests \$27,700,000 in FY 1996 for assistance programs in East Asia, a decrease of \$4,800,000 from the FY 1995 estimate.

This request is dedicated in part to UNHCR for the Comprehensive Plan of Action for Indochinese Refugees (CPA) which has been successful in addressing the problems of refugees and asylum seekers in Southeast Asia. It is anticipated that CPA-funded activities in first asylum camps will be completed by the end of 1995, but will continue inside Vietnam through 1996. Since 1989, this plan has provided for the care and maintenance of Vietnamese and Lao asylum seekers; a fair screening process to determine who are refugees; and increased voluntary repatriation of non-refugees to both Vietnam and Laos, with subsequent monitoring of their welfare. The CPA has succeeded in effectively ending the flow of refugees into first asylum countries. This, together with a continuing high level of direct, safe departures from Vietnam under the Orderly Departure Program and resettlement from first asylum countries, has significantly reduced the pressures on first asylum countries in the region.

The Burmese Muslim (Rohingya) refugees in Bangladesh are the largest group of refugees in the region. Of the 250,000 Rohingya refugees who fled to Bangladesh from late 1991 to mid-1992, some 150,000 had voluntarily repatriated to Burma by the beginning of 1995, leaving some 100,000 still in camps. In addition to the Rohingyas, some 80,000 Burmese remained in ethnic minority camps in Thailand at the beginning of 1995.

### ◆ *United Nations High Commissioner for Refugees*

UNHCR's role in implementing the CPA and bringing it to a successful conclusion will require continuing U.S. financial support in FY 1996. UNHCR programs in East Asia are primarily concerned with providing care and maintenance assistance to Indochinese who have been provided first asylum in the region. Almost all of the approximately 45,000 Vietnamese in first asylum camps at the beginning of 1995 have been determined not to be refugees. Under the CPA, these people have no alternative but to return to Vietnam. UNHCR will continue its voluntary repatriation programs and will monitor conditions for returnees inside Vietnam.

At the beginning of 1995, there were also nearly 12,000 Lao in Thai camps. The FY 1996 request includes funds to continue supporting Lao repatriation. Repatriates receive direct assistance in the form of food, domestic items, and agricultural tools. U.S. assistance in the repatriation effort through contributions to UNHCR, IOM, and other organizations will continue to be critical to its success. The United States has been the largest resettlement country for Lao/Hmong refugees.

The U.S. contribution to UNHCR also will include funds for assistance to Burmese asylum seekers in Thailand and Rohingyas in Bangladesh. UNHCR concluded agreements with the Bangladesh

*MIGRATION AND REFUGEE ASSISTANCE*

Government in May 1993 and with the Burmese authorities in November 1993 that covered the voluntary repatriation and reintegration of the Rohingyas in safety and dignity with a UNHCR presence on both sides of the border. Return movements are expected to be completed by the end of 1995.

◆ *International Committee of the Red Cross*

U.S. contributions to ICRC support ongoing programs such as regional delegations throughout the region as well as visits to detainees and emergency relief and medical care for conflict victims. ICRC has had the largest presence of any humanitarian organization inside Cambodia, and it is expected to continue playing not only a civilian protection role, but also a major role in the rehabilitation process through its medical and tracing services.

◆ *World Food Program*

Funds may be contributed to WFP toward expenses of programs undertaken in cooperation with UNHCR. In past years, contributions have supported the feeding program for Rohingya refugees in Bangladesh as well as programs for voluntary repatriates to Burma.

◆ *Other International Organizations/Non-Governmental Organizations*

Funds may be used to provide direct U.S. support for international, governmental, or non-governmental organization programs that deliver services to refugees, asylum seekers, and repatriates to address needs not covered by programs outlined above. Such services include, but are not limited to, medical and public health programs, mental health counseling, food, special programs for vulnerable groups (for example, women and children, survivors of violence, the disabled), and assistance for Vietnamese returnees. In addition, Lao reintegration has been enhanced by aid to returnees and the communities to which they return; this assistance includes construction of additional school facilities, water sources, and irrigation systems for agriculture.

## Assistance Programs in the Western Hemisphere

*(dollars in thousands)*

1994 Enacted	1995 Estimate	1996 Request	Inc./Dec.(-)
\$8,100	\$9,000	\$10,000	\$1,000

The Department requests \$10,000,000 for the Western Hemisphere assistance program, an increase of \$1,000,000 from the FY 1995 estimate.

While the region now has more returnees than refugees -- a trend that is expected to continue -- underlying tensions, such as those that flared in Chiapas, Mexico during 1994, support a continuing need for UNHCR and ICRC activities. The region's largest remaining refugee population is the 40,000 Guatemalan refugees in Mexico who are progressively repatriating to Guatemala. Economic and social pressures threaten the planned local integration of some Guatemalans in Mexico as well as the integration of other Central American refugees in Belize. As necessary, support for other refugee and migration requirements in the region would be provided.

### ◆ *United Nations High Commissioner for Refugees*

UNHCR levels of assistance for care, maintenance, repatriation, and local settlement of refugees in the Western Hemisphere have been declining slowly, commensurate with the restoration of peace in most parts of the hemisphere. UNHCR's involvement in the reintegration phase should be largely completed by the end of 1995 with other United Nations and development agencies assuming responsibility for the continued cementing of peace and recovery. If peace talks are successful in 1995, repatriation and reintegration of Guatemalan refugees should be completed in 1996.

### ◆ *International Committee of the Red Cross*

Funds will be contributed to ICRC assistance programs in Central and South America, primarily Colombia and Peru, and the Caribbean, and its network of three regional offices and delegations. The peaceful settlement of most of the conflicts in Central America and the continued democratization in the region (with the notable exception of Cuba) has lessened the need for ICRC's exercise of its mandate in emergency relief to conflict victims, aid to prisoners of war, and tracing, enabling ICRC to focus on prison visits and promotion of international humanitarian law. The outbreak of hostilities in Chiapas, Mexico in 1994 demonstrated, however, the need for ICRC's critical work with victims of conflict.

### ◆ *Other International Organizations/Non-Governmental Organizations*

The Department may fund activities of the International Federation of Red Cross and Red Crescent Societies, WFP, and other governmental and non-governmental agencies as required to complement the assistance efforts of the international organizations outlined above or to meet special requirements for assistance to refugees and migrants in the region.

## Assistance Programs in the Near East and North Africa

*(dollars in thousands)*

1994 Enacted	1995 Estimate	1996 Request	Inc./Dec.(-)
\$93,149	\$87,000	\$87,800	\$800

The Department requests \$87,800,000 for Near East and North Africa assistance programs, an increase of \$800,000 from the FY 1995 estimate.

The focus in the region continues to be on the longstanding Palestinian refugee population and on the almost 2 million Afghan refugees in Iran.

### ◆ *United Nations High Commissioner for Refugees*

These funds will support UNHCR offices and operations throughout the Near East and North Africa with the largest programs in Algeria, Egypt, and Iran. The presence of UNHCR offices in Kuwait, Saudi Arabia, and Syria is also a reminder that refugees in these and other countries continue to require protection and monitoring. Somali refugees in Yemen continue to receive UNHCR support, as do the Western Saharan refugees in Algeria who are awaiting a political settlement before returning to the Western Sahara.

### ◆ *International Committee of the Red Cross*

Throughout the Middle East, ICRC is often the only international humanitarian organization able to access areas of civil strife to provide needed medical and other assistance to conflict victims and displaced persons. ICRC assists conflict victims in Lebanon, Israel, and the Occupied Territories, with particular emphasis on tracing and protection of detainees. It also addresses unresolved humanitarian problems – particularly POWs and MIAs – related to conflicts where hostilities have ceased. ICRC's emergency programs will continue to provide emergency shelter, food and water, medical care, and protection to civilians displaced by conflict in the region.

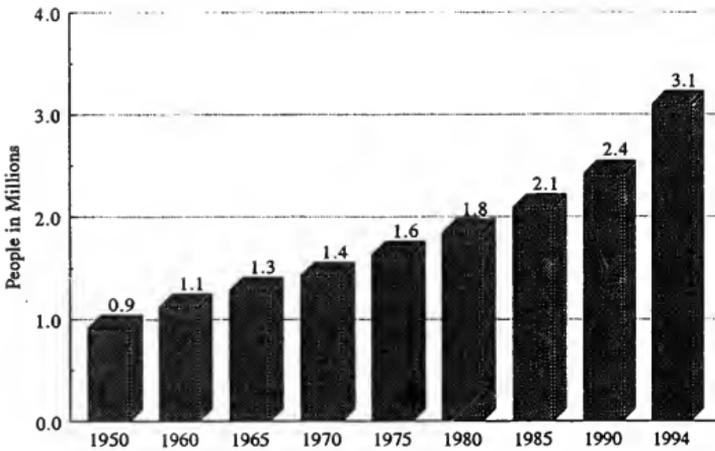
### ◆ *Other International Organizations/Non-Governmental Organizations*

Funds may be contributed for special projects of governmental, non-governmental, and other international organizations designed to complement ongoing assistance efforts or to meet special needs. In recent years, the Department has funded specific projects for Palestinian refugees, primarily through UNRWA's Peace Implementation Programme, in support of the Middle East Peace Process. These projects included upgrading education, health, and social service activities.

◆ *United Nations Relief and Works Agency for Palestine Refugees in the Near East*

UNRWA is mandated by the United Nations to assist Palestinian refugees in Jordan, Syria, Lebanon, the Gaza Strip, and the West Bank. Approximately 3.1 million refugees are registered with UNRWA, which provides education, vocational training, relief and social services, and medical care. UNRWA schools and training centers are leading factors in helping Palestinian refugees become economically self-reliant. Since UNRWA began operations in 1950, the United States has been a major contributor toward its programs. U.S. Government funding helps provide some stability in the lives of the Palestinian refugee population in the region, and contributes to a climate conducive to a peaceful resolution of regional problems.

## Persons Registered with UNRWA 1950 - 1994



(Source: UNRWA)

### Assistance Programs in South Asia

(dollars in thousands)

1994 Enacted	1995 Estimate	1996 Request	Inc./Dec.(-)
\$27,851	\$22,000	\$22,000	--

The Department requests \$22,000,000 for assistance programs in South Asia, the same level as the FY 1995 estimate.

The FY 1996 budget request for assistance requirements in South Asia is based on several assumptions regarding current refugee populations in the region. If security in Afghanistan allows, repatriation of the approximately 3 million Afghan refugees in Pakistan and Iran will continue in FY 1996. While this will lead to a concomitant decrease in UNHCR's care and maintenance programs, UNHCR is expected to become more involved in protection and initial reintegration activities in Afghanistan, one of the world's least developed countries.

The Bhutanese refugee population in eastern Nepal reached over 86,000 registered refugees at the end of 1994 and continues to increase, although at a slower pace than in previous years. Of the original 120,000 Tamil refugees who fled Sri Lanka in June 1990 as a result of ethnic violence, approximately 76,000 refugees remain in India in addition to 552,000 internally displaced persons in Sri Lanka.

#### ◆ *United Nations High Commissioner for Refugees*

This request includes funds to support UNHCR assistance programs for Afghan refugees in Pakistan in support of their repatriation to Afghanistan and, as necessary, continued care and maintenance support, as well as support for UNHCR programs on behalf of other refugee groups on the Subcontinent.

The primary concern of the U.S. with regard to UNHCR programs in South Asia will focus on the continued repatriation and initial reintegration of Afghan refugees. In 1992, record numbers of Afghans repatriated, but 1994 was a disappointing year for repatriation due to intense and sustained fighting in Kabul throughout the year. During 1994, an estimated 100,000 refugees returned to Afghanistan from Pakistan. Repatriations will continue during 1995 and into 1996, although the actual volume depends on the level of security in Afghanistan. The rate of repatriation is anticipated to vary considerably throughout the period. UNHCR's program for repatriation is designed so that it can expand quickly and easily if repatriation rates increase. While it is anticipated that in the long run most refugees will return to Afghanistan, some will opt to remain in Pakistan indefinitely. In FY 1996, UNHCR is expected to continue to provide care and maintenance assistance as required to vulnerable refugee groups remaining in Pakistan. At the same time, UNHCR will increase activities inside Afghanistan aimed at establishing stability and a return to normal conditions.

UNHCR also is concerned with the status of Tibetan refugees in Nepal and India, the internally displaced and repatriates in Sri Lanka, and with refugees from Sri Lanka in India. In Nepal, UNHCR's presence supports Tibetan refugees in transit to India as well as a growing Bhutanese refugee population and other smaller groups.

## MIGRATION AND REFUGEE ASSISTANCE

◆ *International Committee of the Red Cross*

ICRC will maintain programs for victims of the Afghan conflict in both Pakistan and Afghanistan, with increased emphasis on its programs inside Afghanistan as the refugees return home. It presently provides emergency medical assistance, runs a number of surgical and field hospitals for war-wounded Afghans, and operates orthopedic centers that provide complete rehabilitative services to the disabled. Protection and tracing activities are important aspects of ICRC's Afghan Conflict Victims program.

ICRC is also involved in protection, tracing, medical assistance, and human rights training in Sri Lanka. ICRC will continue its frequent visits and increase efforts to re-establish civilian population access to food supplies, health facilities, and work places. With no resolution to the conflict in sight, support for ICRC's critical humanitarian efforts through contributions to its regional appeal will continue.

◆ *World Food Program*

Funds may be contributed to WFP for the expenses of programs undertaken in cooperation with UNHCR. In past years, contributions have supported feeding programs for Afghan refugees in Pakistan and for repatriates to Afghanistan.

◆ *Other International Organizations/Non-Governmental Organizations*

Funds are for special projects, through governmental or non-governmental organizations, designed to support specific components of the international assistance program. In recent years, the Department has funded programs that provide Afghan refugees in Pakistan needed medical services, educational opportunities, and basic skills training to prepare for their return to Afghanistan, as well as income-generating activities to help the refugees achieve a degree of self-sufficiency. Many of these projects have and will continue to focus on the special needs of women, children, and other vulnerable groups among the refugee/returnee population. Additionally, funds may support the demining program of the United Nations Office for the Coordination of Humanitarian Assistance to Afghanistan (UNOCHA). Other refugee groups on the Subcontinent also may receive support.

## Assistance Programs in Europe

*(dollars in thousands)*

1994 Enacted	1995 Estimate	1996 Request	Inc./Dec.(-)
\$93,000	\$75,000	\$85,000	\$10,000

The Department requests \$85,000,000 to respond to assistance programs in Europe, including the Newly Independent States (NIS) of the former Soviet Union. This request is an increase of \$10,000,000 from the FY 1995 estimate.

UNHCR estimated that by the end of 1994, approximately 2.2 million people throughout the former Yugoslavia were in need of relief assistance, nearly two-thirds in Bosnia. Since FY 1991, the U.S. Government has contributed over \$780 million to the UNHCR-led international assistance program and other programs that support vulnerable groups in the former Yugoslavia. Cash contributions provided through the MRA appropriation are a particularly valued portion of the overall U.S. effort, as it permits implementing agencies to respond quickly and effectively to changing needs. Continued funding throughout FY 1996 is required.

The crisis in Chechnya demonstrates the volatility of the Russian transformation. Estimates of refugees, displaced persons, and forced migrants in the NIS are up to 5.3 million. The conflict in Russian Chechnya has resulted in an additional 460,000 displaced persons. None of the older conflicts in the region - Tajikistan, Georgia, Armenia, and Azerbaijan - made progress toward resolution in 1994, and continued funding for these areas will be required in FY 1996.

### ◆ *United Nations High Commissioner for Refugees*

Refugee and asylum issues, as well as migration in general, will continue to be a major concern for European states. In 1996, UNHCR's presence will be required to address the needs of refugees, displaced persons, and others affected by the war in the former Yugoslavia. There will be massive requirements for humanitarian assistance regardless of whether a settlement is reached or fighting continues. UNHCR is now deeply involved in the NIS. Ethnic and regional tensions, combined with the deteriorating economic situation in most of the NIS, may lead to new conflicts. UNHCR's presence is necessary, both in terms of protection and respect for human rights. Its program also addresses needed training on emergency response and refugee law throughout the NIS.

### ◆ *International Committee of the Red Cross*

In the former Yugoslavia, ICRC plays a unique role among international agencies in facilitating the exchange of prisoners, visiting families of detainees, and reuniting families. ICRC also distributes family parcels and medical supplies, often in areas inaccessible to the UN or other agencies. Looking to 1996, the need for ICRC's presence will remain. Should there be peace, ICRC would have the lead role in exchanging prisoners and reuniting families separated by war. Should the fighting go on, ICRC would continue its operations in areas of conflict to bring medical and relief supplies.

*MIGRATION AND REFUGEE ASSISTANCE*

In FY 1996, funds will continue to support ICRC's programs in the NIS to provide emergency assistance and promote the basic principles of international humanitarian law and the law of war. In addition, ICRC has included in its 1995 program for the NIS a variety of conflict preventive activities that will be continued in 1996.

◆ *World Food Program*

Funds may be contributed to WFP for expenses of programs undertaken in cooperation with UNHCR. In past years, contributions have been made for WFP programs in the former Yugoslavia and toward WFP components of consolidated appeals for Tajikistan and the Caucasus.

◆ *Other International Organizations/Non-Governmental Organizations*

As in the last few years, funds will be required to support other international, governmental, or non-governmental organizations providing assistance in the republics of the former Yugoslavia. Some non-governmental organizations serve as implementing partners to the UN effort and others work independently to meet special needs.

In the NIS, these funds are primarily to support aspects of UN consolidated appeals other than UNHCR and WFP (e.g., UN Department of Humanitarian Affairs, the International Organization for Migration). Funding provided to non-governmental organizations is designed to support specific components of international assistance or migration programs not being addressed by other organizations. For instance, in FY 1995 funds were provided to the American Red Cross for sanitation and health care in camps for internally displaced people in southern Azerbaijan.

## Multiregional Activities

(dollars in thousands)

1994 Enacted	1995 Estimate	1996 Request	Inc./Dec.(-)
\$26,413	\$38,000	\$51,100	\$13,100

For FY 1996, the Department requests \$51,100,000 for Multiregional Activities, an increase of \$13,100,000 from the FY 1995 estimate.

These funds support the assessed U.S. contribution to the International Organization for Migration (IOM), the headquarters budget of the International Committee of the Red Cross (ICRC), the multiregional refugee activities of international or non-governmental organizations, and international migration activities. (The IOM assessment and the ICRC contribution are paid in Swiss francs, and the dollar amounts will vary according to the exchange rate at the time of payment.) The increase over FY 1995 will support enhanced multiregional refugee and migration activities of international and non-governmental organizations, particularly UNHCR, including programs for refugee women and children. The increase also will be used to continue and strengthen support for emergency response and capacity building of UNHCR, WFP, the IFRC, and other organizations.

### ◆ *International Committee of the Red Cross*

The request of funds for the ICRC headquarters budget covers the permanent activities carried out by ICRC staff at the Geneva headquarters only; field-related costs are normally attributed to the regional appeals. The contribution will be calculated at 10 percent of the 1996 ICRC headquarters budget in accordance with the *Foreign Relations Authorization Act, 1988 and 1989*. The ICRC headquarters budget is funded through voluntary contributions by governments and national societies of the Red Cross. U.S. contributions to ICRC's regional appeals are described under the previous regional sections of this document.

### ◆ *International Organization for Migration*

Based on U.S. membership in IOM, as provided in the *Migration and Refugee Assistance Act of 1962*, the United States pays a 30 percent assessment to its administrative budget. IOM's services and expertise contribute significantly to the success of international migration and refugee resettlement programs worldwide, including the U.S. refugee admissions program.

### ◆ *Multiregional Activities*

These funds will support activities of international and non-governmental organizations that do not appear in any specific regional program (e.g. centrally-funded multiregional activities) or that support other aspects of international migration including strengthening the ability of organizations to respond to new requirements -- many of them humanitarian emergencies.

*MIGRATION AND REFUGEE ASSISTANCE*

Multiregional program activities include emergency response teams of international organizations, health assessment survey missions, and special information/study/evaluation efforts. These funds also will be used to support efforts to integrate the special needs of refugee women and refugee children in the program and budget planning process of the international organizations and non-governmental agencies engaged in providing refugee assistance overseas. Beginning in 1993, the United States provided unearmarked funding to the UNHCR General Program (from which many of the above activities are funded) under this program, in addition to the funds provided to UNHCR through region-specific allocations discussed previously in this request.

◆ *Migration Activities*

International migration activities include developing multilateral approaches to managing migration, supporting efforts that analyze and address the root causes of irregular migration flows, and promoting the establishment of migration institutions in Central and Eastern Europe, the NIS, and the Western Hemisphere. Funds will be used for IOM and other migration programs that depend for support on voluntary contributions. These include technical cooperation and training for migration policy and national institutions (such as in the republics of the former Soviet Union). These programs assume greater importance as the international community addresses increasingly complex issues of East-West and South-North migration.

**FY 1996**  
**Refugee Admissions**  
*(dollars in thousands)*

1994 Enacted	1995 Estimate	1996 Request	Inc./Dec.(-)
\$154,775	\$170,000	\$126,300	(\$43,700)

The Department requests \$126,300,000 to support the Refugee Admissions program in FY 1996, a reduction of \$43,700,000 from the FY 1995 estimate.

The FY 1996 request is based on a planning level of 90,000 refugee admissions compared to 110,000 in FY 1995. The reduction of 20,000 from the FY 1995 ceiling is primarily due to declining caseloads of eligible refugees from the former Soviet Union and Vietnam. The final number and regional allocations will be determined by the President following the annual consultations process with Congress later in the fiscal year. The specific regional ceilings established in the consultations process will be based on an assessment of worldwide refugee needs at that time. The request also funds all related admissions activities and the processing and transportation of Amerasian immigrants.

FY 1994 actual U.S. refugee admissions and the established FY 1995 ceilings are shown below:

**U.S. Refugee Admissions Levels**

Geographic Region	FY 1994 Actual	FY 1995 Ceiling
East Asia	43,581	40,000
Eastern Europe/FSU	50,947	48,000
Near East/South Asia	5,861	5,000
Latin America/Caribbean	6,437	8,000
Africa	5,856	7,000
Unallocated Reserve	=	2,000
<b>Total /1</b>	<b>112,682</b>	<b>110,000</b>

/1 In FY 1995, an additional 2,000 numbers are authorized for private sector initiatives, with no funding provided from this appropriation.

◆ **East Asia**

**First Asylum.** U.S. policy on admissions of refugees from first-asylum countries in the region is based on the June 1989 Comprehensive Plan of Action for Indochinese Refugees (CPA). The CPA (1) reaffirms the principle of first-asylum; (2) provides for a status determination process for asylum seekers; (3) calls for expanding the Orderly Departure Program (ODP) as an alternative to clandestine departures from Vietnam; (4) provides for the resettlement of bona

## MIGRATION AND REFUGEE ASSISTANCE

fide refugees; (5) provides for a UNHCR program for the voluntary repatriation of non-refugees to Vietnam; and (6) accepts the necessity for the eventual repatriation to Vietnam of those persons "screened out" through the status determination process.

Under the terms of the CPA, only those persons "screened in" as refugees are eligible for third-country resettlement. By the end of 1995, all pre-CPA arrivals and "screened in" Vietnamese populations in first-asylum camps in Southeast Asia and Hong Kong will have been resettled or accepted for third-country resettlement. A small residual population of Lao Highlanders (Hmong) in Thailand may still be eligible for resettlement. Outside of the CPA context, a small number of Burmese in Thailand also are being considered for admission to the U.S. as refugees.

**ODP and Amerasians.** Under the Orderly Departure Program (ODP) from Vietnam, the United States processes refugee cases with close ties to the United States, with particular emphasis on former re-education center detainees and Amerasians. Resettlement interviews of former re-education center detainees will be completed during FY 1995, with actual admissions extending through FY 1996. Large-scale admissions of Amerasian cases have been completed, although limited numbers of admissions are likely to continue in future years

◆ *Europe (previously entitled Eastern Europe and the Former Soviet Union)*

The FY 1996 program will primarily include persons from the NIS, persons from the former Yugoslavia, and a small residual population of qualifying family member (Visas 93) beneficiaries.

Admissions from the NIS will consist almost entirely of persons in the categories specified in the Lautenberg-Morrison Amendment to the *Foreign Relations Authorization Act, Fiscal Years 1994 and 1995*, P.L. 103-236, as of special interest to the United States. These include Jews, Evangelical Christians, and Ukrainian religious activists. In FY 1996, all refugee interviews of former Soviet nationals will continue to be done in Moscow with the support of the Washington Processing Center. Bosnian admissions will continue to emphasize cases with family ties to the United States and referrals by UNHCR because of vulnerability. Most Bosnian processing will continue to be done in Zagreb.

◆ *Near East and South Asia*

In FY 1996 there will be a steady level of admissions of Iranians, mostly religious minorities, from processing posts in Europe and of Iraqis from Saudi Arabia, Turkey, and other countries in Europe.

◆ *Western Hemisphere (previously entitled Latin America and the Caribbean)*

Program efforts in this region primarily support the admission of Cubans. The in-country Cuban refugee processing program is designed to allow those individuals most likely to qualify as refugees the opportunity to have their claims heard without resorting to dangerous boat departures. The in-country program for Haitians will conclude in 1995.

*MIGRATION AND REFUGEE ASSISTANCE*♦ *Africa*

The primary basis for resettlement outside the region remains protection for refugees in life-threatening situations. Somalis will comprise the largest number of Africans in need of U.S. resettlement in FY 1996, although refugee admissions from other African countries are increasing as conditions on the continent change.

**Summary of Costs**

The total cost of all admissions activities in FY 1996 is estimated at \$126,300,000. The requested funds are directly related to costs incurred on behalf of refugees whose actual admission will occur in FY 1996. Some of the expenses incurred, however, are attributable to processing activities on behalf of refugees whose admission dates fall in the following fiscal year because of the effect of the processing pipeline. After a refugee is approved by the Immigration and Naturalization Service (INS) for the U.S. refugee admissions program, the refugee receives a medical examination, sponsorship in the United States is assured, travel arrangements are prepared, and all other steps necessary for admission to the United States are completed. Most transportation and reception and placement grant costs are incurred when the refugee departs the asylum country for resettlement in the United States. Funds also are used to support all ongoing activities related to admissions, such as pre-screening of refugee applicants, processing of applicant case files, and training and orientation programs.

The budget request for refugee admissions funds the programs described below. These funds may also be used for the evaluation of these programs.

♦ *Amerasian Admissions Costs*

Within the total admissions request, sufficient funds have been included to cover the admissions costs of Amerasian immigrants and their qualifying family members. These funds are included within the category requests that follow, but are not separately identified by activity.

♦ *Processing*

The Department of State funds several private voluntary agencies and IOM to assist with the processing of refugees worldwide to be resettled in the United States. In most locations, principal processing responsibilities focus on screening applicants to assess their eligibility for interview by INS adjudicators under the U.S. refugee program and, in the case of ODP, to identify those who may be eligible for immigrant visas. Therefore, more cases are processed during the course of the year than will actually be approved for admission to the United States as refugees. Processing funds also are used to pay for medical examinations and required documentation. The Department's request also funds direct processing costs related to ODP in Vietnam.

In addition to overseas processing operations, the Department funds certain services performed in the United States that are essential to the smooth and efficient operation of the admissions process. This includes maintaining a U.S.-based Refugee Data Center which operates a case allocation and reception and placement grant verification system. The Department also maintains the Washington Processing Center (WPC) as part of the NIS admissions processing operation.

*MIGRATION AND REFUGEE ASSISTANCE*♦ *Transportation and Related Services*

In FY 1996, the Department requests funds for transportation and related services provided by IOM in support of the U.S. admissions program. This activity includes funding for international and domestic airfares, IOM operational support, communications, and transit accommodations where required. The cost of the airfares is usually loaned to refugees; loan beneficiaries are responsible for repaying a designated sum over time after resettlement. Therefore, the requirement for appropriated funds for refugee transportation, in any given year, is partially offset by loan repayments from refugees previously resettled.

The small number of Amerasian immigrants who enter under the provisions of Section 584 of the *FY 1988 Further Continuing Resolution to the Appropriations Act*, P.L. 100-202, receive the same services provided to refugees. Other immigrants enter the United States on privately prepaid tickets.

♦ *Reception and Placement Grants*

Through the Department's Reception and Placement (R&P) program, private voluntary agencies receive funds on a per capita basis to provide basic services to refugees for initial resettlement in the United States. These agencies augment the federal grant by drawing on private cash and in-kind contributions that are essential to the success of this program. Services include pre-arrival planning, reception at the airport, initial housing, orientation to their communities, counseling, and referral to local social service programs. The request provides for a \$670 per capita R&P grant in FY 1996.

Within the overall program funding, the Department may support different resettlement services for groups of refugees with special resettlement needs, for example, unaccompanied minors destined for foster care programs.

The Department coordinates its reception and placement services with the refugee assistance programs administered by the Office of Refugee Resettlement in the Department of Health and Human Services (HHS/ORR).

♦ *English Language Training and Cultural Orientation*

The Refugee Processing Center in the Philippines was closed in FY 1994, marking the end of fourteen years of successful educational programs for refugees transiting the Philippines. The English language training and cultural orientation (ESL/CO) program in Thailand is being closed in FY 1995. As a result, ESL/CO costs for FY 1996 will be reduced.

The FY 1996 budget request for ESL/CO supports the continuation of programs serving Bosnian refugees in Europe, Iraqi refugees in Saudi Arabia, and African refugees in Kenya. These programs are designed to facilitate the refugees' integration into the United States. The budget also requests funds to support the distribution of resettlement guides and other information to refugees in locations where structured pre-entry training cannot be offered, such as in the NIS.

## MIGRATION AND REFUGEE ASSISTANCE

**FY 1996**  
**Refugees to Israel**

*(dollars in thousands)*

1994 Enacted	1995 Estimate	1996 Request	Inc./Dec.(-)
\$80,000	\$80,000	\$80,000	--

The FY 1996 request includes \$80,000,000 to support resettlement in Israel through a grant to the United Israel Appeal (UIA). This grant helps finance programs of the Jewish Agency for Israel that assist in the absorption into Israeli society of Jewish refugees coming to Israel from certain other countries. There were 72,000 arrivals in 1994. The U.S. grant covers only a portion of the overall costs of resettlement in Israel. Most of the funds supporting this effort come from private philanthropic sources.

## MIGRATION AND REFUGEE ASSISTANCE

**FY 1996**  
**Administrative Expenses**

(dollars in thousands)

1994 Enacted		1995 Estimate		1996 Request		Inc./Dec. (-)	
Positions	Funds	Positions	Funds	Positions	Funds	Positions	Funds
110	--	109	--	108	\$12,000	(1)	\$12,000

The Department requests \$12,000,000 to finance the salaries and administrative expenses of the Bureau of Population, Refugees, and Migration (PRM). In FY 1994 and FY 1995, funds for the administrative expenses of the Bureau in the amounts of \$11,500,000 and \$11,900,000, respectively, were included in the Diplomatic and Consular Programs appropriation, in accordance with the *Foreign Relations Authorization Act, Fiscal Years 1994 and 1995*. This request is consistent with National Performance Review recommendations to align program and support costs within the same accounts.

Since FY 1994, the Bureau has funded the Administrative Expenses of staff responsible for population policy and coordination. (Program funds to support international population activities are not requested within this account.)

The FY 1996 request provides funds for wage and price increases for domestic and overseas administrative operations, including the salaries of 108 permanent positions worldwide. Of the 108 positions, it is estimated that 86 will be in Washington and 22 will be overseas.

## MIGRATION AND REFUGEE ASSISTANCE

**Requirements by Object Class***(dollars in thousands)*

<b>Object Class</b>	<b>FY 1994 Enacted</b>	<b>FY 1995 Estimate</b>	<b>FY 1996 Request</b>	<b>Inc./Dec.</b>
Personnel compensation	--	--	\$7,372	\$7,372
Personnel benefits	--	--	1,999	1,999
Travel and transportation of persons	--	--	687	687
Travel and transportation of things	--	--	8	8
Rents, communications, and utilities	--	--	609	609
Printing and reproduction	--	--	28	28
Other services	--	--	1,054	1,054
Supplies and materials	--	--	164	164
Personnel property	--	--	79	79
Grants, subsidies, and contributions	670,688	671,000	659,000	(12,000)
<b>Appropriation Total</b>	<b>670,688</b>	<b>671,000</b>	<b>671,000</b>	<b>--</b>

## EMERGENCY REFUGEE AND MIGRATION ASSISTANCE

**FY 1996**  
**ERMA SUMMARY STATEMENT**  
*(dollars in thousands)*

1994 Enacted		1995 Estimate		1996 Request		Inc./Dec. (-)	
Positions	Funds	Positions	Funds	Positions	Funds	Positions	Funds
--	\$79,261	--	\$50,000	--	\$50,000	--	--

The Emergency Refugee and Migration Assistance Fund (ERMA) is a no-year appropriation, drawn upon by the President to meet "unexpected urgent refugee and migration needs" whenever the President determines that it is "important to the national interest" to do so. *The Migration and Refugee Assistance Act of 1962, as amended*, provides permanent authorization for the account of up to \$100,000,000.

For FY 1996, the Department requests \$50,000,000 to replenish ERMA, the same level as appropriated in FY 1995.

Drawdowns authorized by the President from ERMA in FY 1994 totaled \$81,000,000. As of January 1, 1995, one drawdown of \$4,000,000 had been made in FY 1995.

### *FY 1994 Program Activities*

In FY 1994, the President authorized the following drawdowns:

♦ *Africa - \$74,000,000*

**Presidential Determination 94-5 (PD 94-5) -- \$20,000,000**

On December 3, 1993, \$20,000,000 was authorized to meet the urgent and unexpected needs of certain refugees, conflict victims, and displaced persons in Africa. These funds were contributed to ICRC for its expanded appeals for Africa (\$12,500,000), UNHCR for Burundi refugees (\$4,250,000), the International Federation of Red Cross and Red Crescent Societies for Burundi refugees (\$750,000), and UNHCR for Sierra Leonean refugees and Liberian displaced persons (\$2,500,000).

**PD 94-23 -- \$5,000,000**

On May 3, 1994, \$5,000,000 was authorized to meet the urgent and unexpected needs of Rwandan and Burundi refugees, returnees, displaced persons, and conflict victims. These funds were contributed to UNHCR (\$3,500,000), WFP (\$900,000), and the IFRC (\$600,000).

**PD 94-35 -- \$19,000,000**

On July 17, 1994, \$19,000,000 was authorized to meet the unexpected, urgent needs of refugees, returnees, and conflict victims from Rwanda and Burundi. These funds were contributed to UNHCR (\$14,000,000), ICRC (\$1,000,000), WFP (\$2,000,000), and the IFRC (\$2,000,000).

*EMERGENCY REFUGEE AND MIGRATION ASSISTANCE***PD 94-56 – \$30,000,000**

On September 30, 1994, \$30,000,000 was authorized to meet the urgent and unexpected needs of refugees, returnees, and conflict victims from Rwanda and Burundi. These funds were contributed in FY 1995 to UNHCR (\$16,000,000), WFP (\$5,000,000), the IFRC (\$8,000,000), and IOM (\$1,000,000).

♦ ***Western Hemisphere - \$7,000,000*****PD 94-31 – \$7,000,000**

On July 1, 1994, \$7,000,000 was authorized to meet the urgent and unexpected needs of Haitian migrants.

**PD 94-47**

On September 9, 1994, PD 94-31 was amended to allow the funds to be used also for Cuban migrants.

***FY 1995 Program Activities***

In FY 1995, as of January 1, 1995, the President had authorized the following drawdown:

♦ ***Western Hemisphere - \$4,000,000*****PD 95-13 – \$4,000,000**

On December 31, 1994, \$4,000,000 was authorized to meet the urgent and unexpected needs of Haitian and Cuban migrants.

**Requirements by Object Class***(dollars in thousands)*

Object Class	FY 1995 Opening Balance	FY 1996 Request
Grants, subsidies, and contributions	\$105,300 /1	\$50,000

/1 Of which, \$55,300,000 was carried forward from FY 1994 and \$50,000,000 was appropriated in FY 1995. On September 30, 1994, a \$30,000,000 drawdown (PD 94-56) was authorized by the President. This drawdown did not affect the balance of ERMA until FY 1995.

## ANTI-TERRORISM ASSISTANCE

### PROGRAM SUMMARY (DOLLARS IN MILLIONS):

	1994 Actual	1995 Estimate	1996 Request
Total Budget Authority <sup>a</sup>	15.244	15.244	15.000
Full-Time Permanent Appointments, End-of- Year <sup>b</sup>	12	12	12

#### **Background**

The ATA program, authorized in 1983, provides training and equipment to foreign countries in order to enhance the anti-terrorism skills and abilities of foreign police and security officials. Concurrently, the ATA program seeks to strengthen U.S. bilateral ties with the participating countries by offering concrete assistance in this area of great mutual concern and to increase respect for human rights among foreign police officials by sharing modern, humane and effective anti-terrorism techniques.

The ATA program operates from the premise that the United States must rely on local law enforcement agencies overseas in order to counter and, ultimately, reduce terrorist activity. Foreign police and security officials are the first line of defense against terrorism for Americans abroad. Accordingly, the ATA program is structured to enhance the skills of foreign police and security officials while fostering cooperation with ATA recipients.

#### **ANTI-TERRORISM ASSISTANCE**

Training is the dominant activity of the ATA program. During the past eleven years, approximately 16,500 students representing 85 countries have participated in the ATA program and have learned anti-terrorism skills such as crisis management, hostage negotiations, airport security management, and deactivation of improvised explosive devices. The curriculum and instructors give trainees a solid foundation that enables them to operate in the field as well as share their new skills with colleagues. Starting in FY 1991, the program was authorized to provide training in selected courses overseas at sites where the students will employ their skills.

<sup>a</sup> The funding levels for FYs 1997 through 1999 are being provided in the out-year estimates section, under Workload Indicators, on the last page of this budget request. In keeping with the current budget climate, ATA plans no increases to offset inflation for these fiscal years. The target amount for each year is \$15,000.

<sup>b</sup> 22 U.S.C. 2349aa-2(f) prohibits the use of Anti-Terrorism Assistance (ATA) program funds for personnel compensation or benefits for Department of State's ATA staff. Consequently, the staffing is allocated and funded out of the Diplomatic Security program in the Department of State's Salaries and Expenses Appropriation.

*ANTI-TERRORISM ASSISTANCE*

During FY 1994, the ATA program conducted nine classes overseas, with a total of 253 participants.

Many participants come from developing nations lacking sufficient expertise and financial resources to provide an effective anti-terrorism training program. The ATA program augments student capabilities by providing them valuable skills, some support equipment, and on occasion, technical advice. It also establishes a professional relationship between the student and United States officials and police. These ties open new avenues of communication and cooperation for USG officials overseas. In sum, the ATA program is an essential element in the United States' effort to combat international terrorism.

## ANTI-TERRORISM ASSISTANCE

**Summary of the Budget Request**

As the ATA program enters its thirteenth year of operation the FY 1996 budget request is \$15,000,000. This amount maintains funding close to the FY 1995 level.

**Funding**

The tables on the following pages detail the allocation of the ATA program funds for FYs 1994, 1995, and 1996. The first table summarizes the funding by program activity. The second table summarizes the funding by object class. Each table provides obligation information for three years (actual FY 1994 and estimates for FY 1995 and FY 1996).

**FUNDING BY PROGRAM ACTIVITY***(dollars in thousands)*

Program Activity	1994 Actual	1995 Estimate	1996 Request	Increase/Decrease 1996 vs. 1995
Training and Evaluations	13,512	13,494	13,250	-244
Equipment Grants	800	800	800	
Program Design and Development	242	250	250	
Program Management	690	700	700	
Total Obligations	15,244	15,244	15,000	-

**FUNDING BY OBJECT CLASS***(dollars in thousands)*

Object Class	1994 Actual	1995 Estimate	1996 Request	Increase/Decrease 1996 vs. 1995
Travel and Transportation of Persons	250	250	200	-50
Transportation of Things	18	18	18	
Printing and Reproduction	7	7	7	
Other Services	11,254	11,254	11,100	-154
Supplies and Material	15	15	15	
Equipment	800	800	800	
Grants, Subsidies, and Contributions	2,900	2,900	2,860	-40
Total Obligations	15,244	15,244	15,000	-244

## ANTI-TERRORISM ASSISTANCE

**Justification of the FY 1996 Request****Training, Evaluations and Other Related Activities and Associated Equipment**  
(dollars in thousands)

Program Activity	1994 Actual	1995 Estimate	1996 Request	Increase/Decrease 1996 vs. 1995
Training, Evaluations and Other Related Activities (including Executive Seminars)	14,444	14,444	14,200	-2440
Equipment Grants	800	800	800	
Total Obligations	15,244	15,244	15,000	-244

Equipment is directly related to training. Therefore, these two program activities should be reviewed together.

The FY 1996 request is based on a comprehensive plan to provide ATA training and equipment to countries that meet one or more of the following criteria:

- The country is categorized as a critical or high threat post and cannot meet the terrorist threat within its own resources.
- There is a substantial United States presence in the country.
- The country is a last point of departure for flights arriving in the United States, or is served by an American carrier.
- There are important bilateral policy interests at stake.

*ANTI-TERRORISM ASSISTANCE*

The top priority of the ATA program is to provide assistance to friendly countries facing a significant level of terrorist activity. Accordingly, major recipients of ATA assistance in FY 1994 included countries such as Turkey, Egypt and Greece. The training programs are tailored to the specific needs of each country. As noted earlier, the training is intended to improve the anti-terrorism skills and capabilities of the recipient officials while enhancing the democratic and human rights values essential for a stable, free society.

Protecting American citizens is another criteria used to decide whether to invite a specific nation to participate in the ATA program. To this end, program assistance is directed towards countries such as Greece, Poland and Turkey where there is a significant American presence. Not only does ATA training enhance the local government's ability to protect its own citizens and its political institutions, it also helps ensure the safety of U.S. citizens living in or visiting foreign countries.

Countries in which United States air carriers operate are another high priority for the ATA program. The ATA program has trained hundreds of airport officials in more than 50 countries in procedures and techniques for operating a safe, secure airport and for protecting civilian passenger aircraft on the ground. The ATA airport security curriculum is based on security procedures more rigorous than those required by ICAO Annex 17 standards. In addition, the ATA program has provided limited quantities of equipment to improve airport security such as walk-through metal detectors, state-of-the-art X-ray machines, and dogs trained in the detection of explosives.

The ATA program has also been extended to those countries that do not face an immediate terrorist threat, but are in need of anti-terrorism training as part of a larger effort to develop institutions to encourage and protect fledgling democracies. For example, since 1990, the ATA program has provided extensive training to the democracies of Eastern Europe, such as Poland, Hungary, Bulgaria and the former Czechoslovakia. In FY 1993, training assistance was also initiated with Estonia, Latvia and Lithuania. The dismantling of the repressive security apparatus throughout Eastern Europe and the former Soviet Union has exposed all of these countries to the potential for terrorist activity.

## ANTI-TERRORISM ASSISTANCE

The following tables provide a three-year overview reflecting the distribution of resources (1) by region and (2) by major subject area.

**OBLIGATIONS BY REGION**  
(dollars in thousands)

	1994 Actual		1995 Estimate		1996 Estimate	
	\$	%	\$	%	\$	%
<b>Training &amp; Equipment:</b>						
African Affairs (AF)	14	0	0	0	778*	5
Inter-American Affairs (ARA)	2,867	19	5,293	35	4,072	27
East Asian and Pacific Affairs (EAP)	181	1	770	5	549	4
European and Canadian Affairs (EUR)	7,545	49	7,915	52	5,266	35
Near Eastern Affairs (NEA)	3,705	24	310	2	5,335	22
<b>Subtotal, Trg &amp; Equipment</b>	<b>14312</b>	<b>93</b>	<b>14,294</b>	<b>94</b>	<b>14,050</b>	<b>93</b>
<b>Program Design and Development</b>	242	2	250	2	250	2
<b>Program Management</b>	690	5	700	4	700	5
<b>Total</b>	<b>15,244</b>	<b>100</b>	<b>15,244</b>	<b>100</b>	<b>15,000</b>	<b>100</b>

\* ATA's increased aid for AF focuses on South Africa and Namibia. Both states are emerging democracies with ties to the U.S. Government. Aid would be centered on preventing violent dissident elements from disrupting the course of government, commerce and transportation.

## ANTI-TERRORISM ASSISTANCE

## ANTI-TERRORISM ASSISTANCE

## OBLIGATIONS BY MAJOR SUBJECT AREA

	1994 Actual		1995 Estimate		1996 Estimate	
	\$	%	\$	%	\$	%
<b>Training &amp; Equipment:</b>						
Airport Security	1,553	10	1,466	10	1,031	7
Other Transportation Security	0	0	17	0	480	3
Explosive Detector Dogs	1,172	8	1,896	12	1,417	10
Other Explosive Management	2,180	14	3,231	21	3,231	21
Anti-Terrorism Support	6,987	46	4,954	32	6,343	42
Hostage and Crisis Management	1,312	9	811	5	811	8
Personal Security	1,108	7	1,919	13	737	5
<b>Subtotal, Trg &amp; Equip</b>	<b>14312</b>	<b>94</b>	<b>14,294</b>	<b>93</b>	<b>14,050</b>	<b>93</b>
Program Design and Development	242	2	250	2	250	2
Program Management	690	4	700	5	700	5
<b>Total</b>	<b>15,244</b>	<b>100</b>	<b>15,244</b>	<b>100</b>	<b>15,000</b>	<b>100</b>

## ANTI-TERRORISM ASSISTANCE

## PROGRAM DESIGN AND DEVELOPMENT

*(Dollars in Thousands)*

	1994 Actual	1995 Estimate	1996 Request	Increase/ Decrease
Program Design and Development	242	250	250	-

These funds are used to develop approaches and objectives for instruction and assistance; to identify potential audiences and associated task and skill requirements; to collect information essential for training to be adapted to the needs of the participating countries; and to provide a basis for evaluations.

## PROGRAM MANAGEMENT

*(Dollars in Thousands)*

	1994 Actual	1995 Estimate	1996 Request	Increase/ Decrease
Program Management	690	700	700	

Travel, translations, transportation of ATA purchased equipment items and various other administrative support expenses for the ATA program are funded through this activity. The ATA staff manages and coordinates all phases of the program by promoting, presenting, and explaining the goals of the program to eligible countries; directing the assessment teams; and developing and scheduling training. In addition, the staff is involved in conducting essential follow-up evaluations on the effectiveness of training and equipment provided. In FY 1996, the ATA staff will continue to perform these duties in carrying out the program mission.

## ANTI-TERRORISM ASSISTANCE

## WORKLOAD INDICATORS

	Actual <u>FY 1994</u>	Estimate <u>FY 1995</u>	Estimate <u>FY 1996</u>
Countries Participating	29	27	27
Training Events Conducted:			
In the U.S.	79	69	56
Overseas	<u>9</u>	<u>9</u>	<u>15</u>
Total	88	78	71
Participants Trained:			
In the U.S.	1,011	979	900
Overseas	<u>253</u>	<u>186</u>	<u>450</u>
Total	1,264	1,165	1,350
Program Evaluations	16	15	15
Airports to Receive Security X-Ray Machines	3	3	3

## OUT-YEAR ESTIMATES

In compliance with Section 581 of the Foreign Operations Act of 1990, the funding levels for FYs 1997 through 1999 are shown below by activity:

<u>Program Activity</u>	Estimate <u>FY 1997</u>	Estimate <u>FY 1998</u>	Estimate <u>FY 1999</u>
	(Dollars in Thousands)		
Training, Evaluations and Other Related Activities (including Executive Seminars)	\$13,258	\$13,258	\$13,258
Equipment Grants	800	800	800
Program Design and Development	242	242	242
Program Management	<u>700</u>	<u>700</u>	<u>700</u>
Total, Obligations	\$15,000	\$15,000	\$15,000

## NONPROLIFERATION AND DISARMAMENT

## NONPROLIFERATION AND DISARMAMENT FUND

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS):

	1994 Actual	1995 Estimate	1996 Request
NDF	10.000	10.000	25.000

The Nonproliferation and Disarmament Fund (NDF) provides the resources which support carefully selected project proposals to further the objectives of the Freedom Support Act of 1992 by supporting bilateral and multilateral efforts to halt the proliferation of weapons of mass destruction. Beginning in 1994, the NDF funded numerous projects for dismantling and destroying existing weapons of mass destruction and their delivery systems, strengthening international safeguards efforts, strengthening export control and nuclear smuggling efforts; a limited portion of the appropriation is used for administrative expenses for program implementation.

The Administration is requesting \$25 million for bilateral and multilateral assistance programs in FY 1996 down from \$37 million in FY 1995. The increase in NDF is due to a transfer of responsibilities and funding from other programs.

**\$10 Million for Freedom Support Act Activities**

The request continues at its current \$10 million level funding for activities, pursuant to the Freedom Support Act, that support US efforts to:

- Dismantle weapons of mass destruction and their delivery systems; and,
- Halt the spread of weapons related technologies.

**\$15 Million Transfer from Nunn-Lugar Program**

Due to a refocusing of the Department of Defense Nunn-Lugar programs, funding for certain activities formerly funded by the DoD have been shifted to the International Affairs budget request. In FY 1996, funding for export control activities previously conducted under DoD Nunn-Lugar programs is included in the funding request for NDF. The budget request contains \$15 million (vs. \$27 million in FY 1995), to continue support for:

- Developing systems in the former Soviet Union to control the export of weapons and weapons related technology.

**Current Mission**

The Nonproliferation and Disarmament Fund (NDF) provides resources to support carefully selected project proposals to further the objectives of the Freedom Support Act of 1992 by supporting bilateral and multilateral efforts to halt the proliferation of weapons of mass destruction. The Fund seeks to:

*NONPROLIFERATION AND DISARMAMENT*

- Dismantle and destroy existing weapons of mass destruction;
- Destroy delivery systems for weapons of mass destruction;
- Strengthen multilateral controls of sensitive exports and international nuclear safeguards; and
- Combat nuclear smuggling.

**Projects in Support of the Freedom Support Act of 1992:**

Recent NDF projects include:

- Procurement of highly enriched uranium stocks from Kazakhstan.
- Termination of the space launch missile infrastructure of a country with a newly democratic government and missile launch means in central Europe.
- Destruction of weapons stockpiles in the Middle East.
- Procurement of verification equipment for the International Atomic Energy Agency's Department of Safeguards.
- Deployment of seismic arrays in support of the Comprehensive Test Ban Treaty.
- Support for cooperative arrangements to deter nuclear smuggling; and
- Strengthening export control procedures in central European countries.

**Responsibilities Inherited from Nunn-Lugar Program:**

Funding to strengthen the control of militarily-sensitive goods and technologies by the Newly Independent States. Specifically, projects would support:

- Training and technical assistance for export licensing and enforcement systems;
- Customs advisors;
- Frontier force communication and interdiction equipment;
- Coastal force interdiction transport;
- Vehicle and pedestrian portal monitors;
- Hand-held radiation detectors.

Provision of export control assistance to Uzbekistan, Tajikistan, and Turkmenistan: three additional states in the former Soviet Union. The close proximity of these FSU states to countries of proliferation concern, such as Iran, Iraq, and Pakistan, make them prime candidates for expanded assistance. Priority items would include:

- Providing customs enforcement equipment;
- Enhancing border check points; and
- Training customs officials.

**Future of NDF Mission**

In the early stages of NDF, the primary emphasis was in the areas of destruction and safeguards. As NDF matures, this emphasis will continue, complemented by an added emphasis of enforcement efforts, notably nuclear smuggling.

Nearly \$50 million in proposals were received for funding consideration in 1994. After careful consideration, NDF approved 16 projects. The initial NDF funding level of \$10 million was

*NONPROLIFERATION AND DISARMAMENT*

insufficient for sustained large-scale destruction and dismantling of weapons of mass destruction and delivery systems. And with additional increased authority from refocusing Nunn-Lugar, the request for NDF's assistance will increase, as will responsibility to ensure current US commitments.

## INTERNATIONAL MILITARY EDUCATION AND TRAINING

## INTERNATIONAL MILITARY EDUCATION AND TRAINING

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS):

	1994 Actual	1995 Estimate	1996 Request
IMET	22.250	26.350 <sup>1</sup>	39.781

International Military Education and Training (IMET) provides military education and training on a grant basis to students from allied and friendly nations. It is recognized as one of the most cost effective components of U.S. security assistance. Since 1950, IMET and its predecessor programs have trained more than 550,000 foreign officers and enlisted personnel in areas ranging from professional military education to basic technical and nation building skills. This training has enabled U.S. friends and allies to establish and improve self-sufficiency in their military forces, as well as to strengthen their own training capabilities.

The IMET program exposes students to the U.S. professional military establishment and the American way of life, including U.S. regard for democratic values, respect for individual and human rights and belief in the rule of law. Students are also exposed to U.S. military procedures and the manner in which our military functions under civilian control. A less formal, but nonetheless significant, part of the program exposes students to the civilian community and its important democratic institutions. In addition, English language training, essential to attending courses in the United States, increases rapport between students and their U.S. counterparts, promoting important relationships which provide for US access and influence in a sector of society which often plays a critical role in the transition to democracy.

The Foreign Operations, Export Financing and Related Programs Appropriations Act, 1991, expanded the scope and purposes of the IMET program. Expanded IMET's principal objectives are: fostering greater respect for, and understanding of, the principal of civilian control of the military; improving military justice systems and procedures in accordance with internationally accepted standards of human rights; and increasing professionalism and responsibility in defense management and resource allocation. Expanded IMET education is available not only to military and defense officials, but also to civilian officials from non-defense ministries, legislatures, and non-government organizations (NGOs).

IMET requested for FY 1996 will enable the United States to build upon our investments in English language training, professional military education and Expanded IMET in the 26 new country programs instituted since 1991, primarily in Central Europe and the NIS. It will also restore some of the programs in Asia, Latin America and Africa reduced since FY 1994 that are important to the success of our regional security strategies. The IMET request will also continue training and education assistance for Middle East countries important to regional peace efforts.

The following table shows the FY 1996 IMET request. Detailed justification for the proposed programs are found in the Country and Program Papers section.

<sup>1</sup> Reflects \$850,000 transferred from the PKO account to the International Military Education and Training Account pursuant to P.L. 103-306.

## INTERNATIONAL MILITARY EDUCATION AND TRAINING

**FY 1996 BUDGET REQUEST**  
**INTERNATIONAL MILITARY EDUCATION AND TRAINING**  
*(dollars in millions)*

COUNTRY	FY 1994 ACTUAL	FY 1995 ENACTED	FY 1996 REQUEST
<b>Sub-Saharan Africa</b>			
Benin	0.099	0.100	0.150
Botswana	0.364	0.450	0.475
Burundi		0.100	0.125
Cameroon	0.100		0.100
Cape Verde		0.075	0.100
Central African Republic		0.175	0.125
Chad	0.225	0.175	0.100
Comoros			0.075
Congo	0.109	0.175	0.165
Cote d'Ivoire	0.150	0.150	0.160
Djibouti	0.106	0.120	0.150
Eritrea	0.082	0.200	0.250
Ethiopia	0.113	0.250	0.300
Gambia	0.100		
Ghana	0.229	0.200	0.250
Guinea	0.088	0.175	0.175
Guinea-Bissau	0.102	0.075	0.100
Kenya	0.288	0.280	0.350
Lesotho		0.050	0.075
Madagascar			0.100
Malawi	0.125	0.125	0.250
Mali	0.134	0.155	0.150
Mozambique		0.125	0.125
Namibia	0.220	0.150	0.250
Niger	0.200	0.200	0.300
Rwanda	0.075		
Sao Tome & Principe		0.075	0.075
Senegal	0.450	0.600	0.600
Seychelles			0.060
Sierra Leone		0.050	0.120
South Africa	0.104	0.250	0.500
Swaziland		0.050	0.080
Tanzania	0.114	0.100	0.175
Uganda	0.128	0.150	0.200
Zambia	0.075	0.100	0.150
Zimbabwe	0.241	0.250	0.250
<b>AF Totals:</b>	<b>4.021</b>	<b>4.280</b>	<b>6.610</b>

## INTERNATIONAL MILITARY EDUCATION AND TRAINING

**FY 1996 BUDGET REQUEST**  
**INTERNATIONAL MILITARY EDUCATION AND TRAINING**  
*(dollars in millions)*

COUNTRY	FY 1994 ACTUAL	FY 1995 ENACTED	FY 1996 REQUEST
<b>East Asia &amp; Pacific</b>			
Cambodia	0.122	0.200	0.300
Indonesia			0.600
Malaysia	0.318	0.500	0.600
Mongolia	0.050	0.100	0.100
Papua New Guinea	0.050	0.125	0.175
Philippines	0.876	1.195	1.400
Singapore	0.010	0.020	0.020
Solomon Islands	0.008	0.100	0.125
South Korea	0.021	0.010	0.010
Thailand	0.895	1.000	1.500
Tonga	0.015	0.050	0.200
Vanuatu	0.015	0.050	0.095
Western Samoa	0.015	0.050	0.050
EAP Totals:	2.395	3.400	5.275
<b>Europe and the NIS</b>			
Albania	0.165	0.200	0.400
Austria	0.010	0.015	0.015
Belarus	0.100	0.100	0.275
Bosnia & Herzegovina		0.070	0.200
Bulgaria	0.300	0.400	0.700
Croatia		0.065	0.200
Czech Republic	0.500	0.500	0.700
Estonia	0.152	0.200	0.385
Finland	0.010	0.015	0.015
Georgia	0.063	0.075	0.250
Greece	0.100	0.050	0.050
Hungary	0.700	0.700	0.950
Kazakhstan	0.090	0.100	0.375
Kyrgyzstan	0.050	0.050	0.225
Latvia	0.195	0.200	0.385
Lithuania	0.150	0.200	0.385
Malta	0.018	0.065	0.075
Moldova	0.057	0.050	0.225
Poland	0.700	0.700	0.950
Portugal	0.500	0.500	0.800
Romania	0.312	0.465	0.700
Russia	0.471	0.700	1.075
Slovakia	0.296	0.350	0.525

## INTERNATIONAL MILITARY EDUCATION AND TRAINING

**FY 1996 BUDGET REQUEST**  
**INTERNATIONAL MILITARY EDUCATION AND TRAINING**

*(dollars in millions)*

COUNTRY	FY 1994 ACTUAL	FY 1995 ENACTED	FY 1996 REQUEST
Slovenia	0.113	0.125	0.300
Spain	0.049	0.050	0.050
The FYRO Macedonia		0.125	0.250
Turkey (grants)	1.006	1.000	1.000
Turkmenistan	0.050	0.050	0.225
Ukraine	0.600	0.600	0.950
Uzbekistan		0.050	0.225
EUR Totals:	6.757	7.770	12.860
<b>Latin America &amp; Carib.</b>			
Argentina	0.102	0.100	0.300
Bahamas	0.011		0.100
Belize	0.050	0.040	0.250
Bolivia	0.439	0.350	0.500
Brazil	0.096	0.100	0.200
Chile	0.097	0.100	0.300
Colombia	0.900	0.600	0.900
Costa Rica	0.101	0.050	0.150
Dominican Republic	0.308	0.200	0.500
Eastern Caribbean	0.239	0.200	0.300
Ecuador	0.379	0.300	0.400
El Salvador	0.400	0.400	0.450
Guatemala	0.036	0.200	0.250
Guyana	0.005	0.075	0.150
Haiti			0.400
Honduras	0.524	0.325	0.400
Jamaica	0.201	0.170	0.450
Mexico	0.201	0.200	1.000
Nicaragua		0.100	0.200
PACAMS	0.524	0.425	0.600
Paraguay	0.089	0.125	0.150
Peru		0.325	0.500
Suriname		0.050	0.050
Trinidad & Tobago	0.010		0.050
Uruguay	0.167	0.100	0.250
Venezuela	0.195	0.250	0.300
ARA Totals:	5.074	4.785	9.100
<b>Near East</b>			
Algeria	0.056	0.075	0.075
Bahrain	0.056	0.075	0.100

## INTERNATIONAL MILITARY EDUCATION AND TRAINING

**FY 1996 BUDGET REQUEST**  
**INTERNATIONAL MILITARY EDUCATION AND TRAINING**  
*(dollars in millions)*

<b>COUNTRY</b>	<b>FY 1994 ACTUAL</b>	<b>FY 1995 ENACTED</b>	<b>FY 1996 REQUEST</b>
Egypt	0.800	1.000	1.000
Jordan	0.800	1.000	1.200
Lebanon	0.304	0.400	0.475
Morocco	0.528	0.800	0.800
Oman	0.054	0.110	0.110
Tunisia	0.500	0.800	0.800
<b>NEA Totals:</b>	<b>3.098</b>	<b>4.260</b>	<b>4.560</b>
<b>South Asia</b>			
Bangladesh	0.182	0.175	0.258
India	0.152	0.200	0.364
Maldives		0.050	0.080
Nepal	0.106	0.100	0.138
Sri Lanka	0.100	0.100	0.175
<b>SA Totals:</b>	<b>0.540</b>	<b>0.625</b>	<b>1.015</b>
<b>Non-Regional</b>			
General Costs	0.364	0.380	0.361
<b>Non-Regional Totals:</b>	<b>0.364</b>	<b>0.380</b>	<b>0.361</b>
<b>GRAND TOTALS:</b>	<b>22.250</b>	<b>26.350</b>	<b>39.781</b>

## INTERNATIONAL MILITARY EDUCATION AND TRAINING

## SUMMARY OF STUDENTS TRAINED UNDER IMET

	ACTUAL FY 1994	ESTIMATED FY 1995	PROPOSED FY 1996
AFRICA:			
BENIN	6	7	10
BOTSWANA	23	28	29
BURUNDI	0	5	6
CAMEROON	8	0	5
CAPE VERDE	0	3	4
CENTRAL AFRICAN REPUBLIC	0	5	3
CHAD	12	50	28
COMOROS	0	0	3
CONGO	4	9	10
COTE D'IVOIRE	6	8	8
DJIBOUTI	6	10	12
ERITREA	3	10	12
ETHIOPIA	5	41	49
GAMBIA	7	0	0
GHANA	14	14	17
GUINEA	4	7	6
GUINEA-BISSAU	5	3	4
KENYA	21	14	17
LESOTHO	0	5	7
MADAGASCAR	0	0	4
MALAWI	11	9	18
MALI	6	6	5
MOZAMBIQUE	0	3	3
NAMIBIA	31	12	20
NIGER	9	49	75
RWANDA	114	0	0
SAO TOME & PRINCIPE	0	2	2
SENEGAL	21	26	25
SEYCHELLES	0	0	5
SIERRA LEONE	0	4	9
SOUTH AFRICA	12	69	138
SWAZILAND	0	4	6
TANZANIA	8	8	14
UGANDA	12	14	18
ZAMBIA	4	11	16
ZIMBABWE	59	19	18
TOTAL	411	455	606
AMERICAN REPUBLICS:			
ANTIGUA-BARBUDA*	1	2	2
ARGENTINA	36	16	50
BAHAMAS, THE	6	0	20
BARBADOS*	1	2	2
BELIZE	6	5	31
BOLIVIA	121	42	62
BRAZIL	17	13	26
CHILE	160	56	150
COLOMBIA	731	310	450
COSTA RICA	27	11	33
DOMINICA*	4	5	5
DOMINICAN REPUBLIC	61	35	87
ECUADOR	111	34	45
EL SALVADOR	131	180	204
GRENADA*	9	7	10

## INTERNATIONAL MILITARY EDUCATION AND TRAINING

## SUMMARY OF STUDENTS TRAINED UNDER IMET (CONTINUED)

	ACTUAL FY 1994	ESTIMATED FY 1995	PROPOSED FY 1996
AMERICAN REPUBLICS (CONT):			
GUATEMALA	5	20	25
GUYANA	3	9	18
HAITI	0	0	50
HONDURAS	115	91	114
JAMAICA	11	27	71
MEXICO	45	31	153
NICARAGUA	0	13	26
PARAGUAY	10	19	22
PERU	0	50	80
ST. KITTS & NEVIS*	5	6	10
ST. LUCIA*	12	5	9
ST. VINCENT & GRENADINES*	5	5	9
SURINAME	0	9	9
TRINIDAD & TOBAGO	3	0	9
URUGUAY	26	9	22
VENEZUELA	40	36	43
REGIONAL TOTAL	<u>1,702</u>	<u>1,048</u>	<u>1,847</u>
EAST ASIA & PACIFIC:			
CAMBODIA	5	85	125
INDONESIA	0	0	40
MALAYSIA	25	40	48
MONGOLIA	2	3	3
PAPUA NEW GUINEA	3	8	11
PHILIPPINES	174	124	145
SINGAPORE	2	4	3
SOLOMON ISLANDS	1	20	25
SOUTH KOREA	7	2	2
THAILAND	73	107	172
TONGA	1	6	24
VANUATU	1	3	5
WESTERN SAMOA	2	2	2
REGIONAL TOTAL	<u>296</u>	<u>404</u>	<u>605</u>
EUROPE:			
ALBANIA	12	53	105
AUSTRIA	1	2	2
BELARUS	4	45	91
BOSNIA FEDERATION	0	5	45
BULGARIA	23	63	109
CROATIA	0	5	45
CZECH REPUBLIC	25	24	33
ESTONIA	47	20	38
FINLAND	2	2	2
GEORGIA	3	4	13
GREECE	28	15	15
HUNGARY	84	110	148
KAZAKHSTAN	2	5	18
KYRGYZSTAN	1	3	13
LATVIA	58	16	30
LITHUANIA	47	9	16

## INTERNATIONAL MILITARY EDUCATION AND TRAINING

## SUMMARY OF STUDENTS TRAINED UNDER IMET (CONTINUED)

	ACTUAL FY 1994	ESTIMATED FY 1995	PROPOSED FY 1996
EUROPE (CONTD):			
MACEDONIA (FYROM)	0	7	14
MALTA	7	8	9
MOLDOVA	1	3	13
POLAND	88	158	211
PORTUGAL	41	22	35
ROMANIA	60	120	184
RUSSIA	26	40	61
SLOVAKIA	39	59	87
SLOVENIA	9	3	7
SPAIN	5	9	8
TURKEY	64	69	68
TURKMENISTAN	1	3	13
UKRAINE	49	76	118
UZBEKISTAN	0	5	13
REGIONAL TOTAL	<u>727</u>	<u>963</u>	<u>1,564</u>
NEAR EAST & SOUTH ASIA:			
ALGERIA	5	6	6
BAHRAIN	9	16	20
BANGLADESH	14	12	17
EGYPT	52	87	86
INDIA	9	12	21
JORDAN	71	140	171
LEBANON	59	27	32
MALDIVES	0	3	5
MOROCCO	72	62	61
NEPAL	9	7	9
OMAN	9	17	16
SRI LANKA	10	4	7
TUNISIA	85	60	59
REGIONAL TOTAL	<u>404</u>	<u>453</u>	<u>510</u>
WORLDWIDE TOTAL	<u>3,540</u>	<u>3,323</u>	<u>5,132</u>

\* These countries comprise the Eastern Caribbean. See Eastern Caribbean narrative for a discussion of country programs.

## FOREIGN MILITARY FINANCING

## PROGRAM SUMMARY

*(DOLLARS IN MILLIONS):*

	1994 Actual	1995 Estimate	1996 Request
FMF Grant	3,055.832	3,151.279	3,262.020
FMF Loans (BA)	38.118	47.917	89.888
FMF Loan Amount	769.500	619.650	765.000

American leadership requires that we be ready to back our diplomacy with credible threats of force. To this end, the U.S. military remains the most powerful and effective fighting force in the world. When our vital interests are at stake, we are prepared to defend them alone. Sometimes, however, we can achieve better results at lower costs to human life and national treasure by leveraging our power and resources through alliances and multilateral institutions. We have a strong stake therefore in helping our allies and coalition partners to strengthen their defense so that they can share the common defense burden.

Foreign Military Financing (FMF) enables key friends and allies to improve their defense capabilities by financing acquisition of U.S. military articles, services, and training. As FMF helps countries provide for their legitimate defense needs, it promotes U.S. national security interests by enhancing interoperability with U.S. forces, strengthening coalitions with friends and allies and cementing strong foreign military relationships with the U.S. armed forces. FMF supports regional security cooperation with key allies. It helps meet post-Cold War challenges, such as peacekeeping in Africa and the Caribbean, by financing equipment and services in support of forces engaged in these efforts. It will also help the new democratic nations of Central Europe and the New Independent States of the former Soviet Union to obtain the training and equipment needed to participate in regional initiatives such as the Partnership for Peace, and the Baltic Peacekeeping Battalion.

A grant and loan program, FMF is distinguished from FMS, the system through which government-to-government sales occur. In general, FMF provides financing for FMS sales. Select countries, however, are eligible to use FMF for procurement through direct commercial contracts outside of FMS channels.

By meeting demand for U.S. systems, FMF also contributes to a strong U.S. defense industrial base — a critical element of the national defense. FMF also finances sales of defense items that lengthen production runs which can result in lower unit costs for DoD purchases while creating jobs.

*FOREIGN MILITARY FINANCING***FY 1996 FMF**

The FMF requested for FY 1996 will go to support two of the Administration's foreign policy objectives: Building Democracy, in the case of Haiti and Cambodia; and Promoting Peace, particularly Regional Peace and Security goals of the Partnership for Peace and the Baltic Peacekeeping Battalion. Our continuing commitment to assist those who take risks for peace in the Middle East is reflected in our FMF proposals for Israel and Egypt as well as other key states in the region.

The following table depicts the FMF request for FY 1996. Detailed justifications for the proposed programs are found in the Country and Program Papers section.

## FOREIGN MILITARY FINANCING

## FY 1996 BUDGET REQUEST FOREIGN MILITARY FINANCING

(dollars in millions)

PROGRAM NAME	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
Sub-Saharan Africa			
Ethiopia	0.200		
Ghana	0.285		
AF Totals:	0.485	0.000	0.000
East Asia & Pacific			
Cambodia			3.000
EAP Totals:	0.000	0.000	3.000
Europe and the NIS			
Baltic Battalion			5.000
CE Defense Infrastructure			20.000
Greece (loan)	[283.500]	[255.150]	[315.000]
Greece (loan subsidy BA)	15.139	19.731	37.000
Partnership for Peace			60.000
Poland		1.000	
Portugal (loan)	[81.000]		
Portugal (loan subsidy BA)	1.312		
Turkey (loan)	[405.000]	[364.500]	[450.000]
Turkey (loan subsidy BA)	21.667	28.186	52.890
EUR Totals:	38.118	48.917	174.890
Latin America			
Belize	0.160		
Bolivia	2.967	2.829	
Caribbean Peacekeeping			3.000
Colombia	7.700	10.000	
Dominican Republic	0.300		
Eastern Caribbean	0.390		
Ecuador	0.130		
Guyana	0.180		
Haiti		3.000	7.000
Jamaica	0.300		
Trinidad & Tobago	0.100		
ARA Totals:	12.227	15.829	10.000
Near East			
Egypt	1300.000	1300.000	1300.000
Israel	1800.000	1800.000	1800.000
Jordan	9.000	7.300	30.000
NEA Totals:	3109.000	3107.300	3130.000
Non-Regional:			
Demining	2.500	5.000	10.000
Defense Admin Costs	23.558	22.150	24.020
Non-Regional Totals:	26.058	27.150	34.020
GRAND TOTALS:	3185.888	3199.196	3351.908

## FOREIGN MILITARY FINANCING

## DEFENSE ADMINISTRATIVE COSTS

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS):

	1994 Actual	1995 Estimate	1996 Request
FMF Grant	23.491	22.150	24.020

**DESCRIPTION:** The requested funding provides for the cost of administrative activities related to non-FMS security assistance programs implemented by the Unified Commands, Military Departments and DSAA.

**OBJECTIVES:**

- Cost-effectively sustain the necessary workload associated with worldwide administration of FY 95 and prior IMET.
- Support administrative costs for all security assistance activities incurred by the Unified Commands.
- Support administrative costs incurred by the Military Departments and DSAA headquarters for all security assistance activity not related to Foreign Military Sales.
- Fund operating costs of non-FMS activities of overseas security assistance offices (SAO).

**JUSTIFICATION:**

The proposed program level represents the projected costs required to prudently but effectively accomplish the managerial and administrative actions—headquarters, personnel management, budgeting and accounting, office services and facilities, including support for non-FMS functions of the Overseas Security Assistance Offices (SAOs) necessary to manage and implement the non-FMS segments of security assistance programs, as authorized under the AECA and the FAA.

The initiation and expansion of security assistance relationships with many new democracies around the world, but principally in Central Europe, the New Independent States, and South Africa, require the establishment of security assistance organizations (SAOs) in an increasing number of locations over the next few years. The FY 1996 request for Defense Administrative costs will fund the establishment of these SAOs and is essential to the effective management of security assistance programs with these new defense partners.

**EFFECTIVENESS MEASUREMENT:**

- Resources expended for Defense Administrative Costs are judged effective if the relative quality, timeliness and consistent accomplishment of all managerial and administrative actions necessary to carry out this segment of our security assistance mission are maintained or improved.

## FOREIGN MILITARY FINANCING

## FMF ADMINISTRATIVE COSTS

(Dollars in Thousands)

	Actual FY 1994	Estimated FY 1995	Proposed FY 1996
Departmental and Headquarters Administrative Expenses a/	6,603	6,735	7,020
SAO Administrative Expenses a/	16,888	15,415	17,000
Total Budget Authority	23,491	22,150	24,020

a/ Excludes those Defense Security Assistance Agency (DSAA) and overseas security assistance organizations (SAO) costs related to FMS which are financed from sales under sections 21, 22, and 29 of the Arms Export Control Act. See Overseas Military Program Management table for further details on SAO costs.

## PEACEKEEPING OPERATIONS

## PEACEKEEPING OPERATIONS

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS):

	1994 Actual	1995 Estimate	1996 Request
PKO	82.435	74.150 <sup>a</sup>	100.000

The Foreign Assistance Act of 1961, Part II, Chapter 6, as amended, authorizes assistance to friendly countries and international organizations for peacekeeping operations and other efforts at conflict resolution which further U.S. national security interests. For FY 1996 we propose a funding level of \$100 million for voluntary peacekeeping activities.

The number of situations requiring peacekeeping operations has risen dramatically since the end of the Cold War. This trend can be expected to continue in the years ahead. Potential flash points exist in Central and East Asia, Europe, Africa and Latin America. Well-planned peacekeeping operations are a useful and cost effective option for dealing with some conflicts and humanitarian crises. Peacekeeping clearly is not a substitute for a strong national defense and vigorous alliances; but it has a demonstrated capacity, under appropriate circumstances, to separate adversaries, maintain cease-fires, facilitate delivery of humanitarian relief, allow repatriation of refugees and displaced persons, demobilize combatants and create conditions under which political reconciliation may occur and democratic elections may be held. Thus it can reduce the likelihood of interventions by regional powers, prevent small conflicts from proliferating, facilitate the birth and growth of new market economies, contain the cost of humanitarian emergencies, and limit refugee flows.

While the bulk of funding for multilateral peacekeeping operations goes to the United Nations and falls outside the scope of this budget presentation, it is sometimes in the United States interest to support, on a voluntary basis, peacekeeping activities that are not UN mandated and/or are not funded by UN assessments. The Peacekeeping Operations (PKO) account provides the flexibility to, in the appropriate circumstances, proactively support conflict resolution, multilateral peace operations, sanctions enforcement and similar efforts outside the context of assessed UN peacekeeping operations. The PKO account promotes increased involvement of regional organizations in conflict resolution, which can sometimes result in more politically or cost-effective operations. The account is also used to encourage fair-share contributions to joint efforts where there is no formal cost sharing mechanism available. As a result we are often better able to assist countries in creating an environment of security and stability essential to their more rapid social, economic, and political progress. Key objectives of the fund are to:

- Promote peace and security by supporting multilateral peacekeeping initiatives.

<sup>a</sup> Reflects \$850,000 transferred from the PKO account to the International Military Education and Training Account pursuant to P.L. 103-306.

*PEACEKEEPING OPERATIONS*

- Encourage fair-share contributions to peacekeeping efforts from those countries that can and should pay while facilitating the participation of poorer countries when resource constraints would otherwise prevent their taking part.
- Minimize or avoid the use of U.S. troops by supporting the deployment foreign troops for peacekeeping operations

In addition to supporting long-term, non-assessed commitments such as the Multinational Force of Observers (MFO) in the Sinai, and Organization for Security and Cooperation in Europe (OSCE) initiatives, this funding will be used to promote regional involvement in the resolution of neighboring conflicts. Further, the funding request addresses potential operations in Europe and the New Independent States of the Former Soviet Union. Finally, PKO funding will be used to support monitoring and enforcement of United Nations sanctions activities around the world.

The following table lists FY 1996 proposals for PKO funding. Program papers providing descriptions and detailed justifications are included under Regional and Country Programs.

## PEACEKEEPING OPERATIONS

## PEACEKEEPING OPERATIONS

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

PROGRAM	FY 1994 Actual	FY 1995 Enacted	FY 1996 Request
Africa Regional		5.000	18.000
Cambodia	2.000		
Europe		3.710	25.000
OSCE	0.620	4.000	7.000
ECOWAS	6.690		
Haiti (OAS)	13.000		
Haiti (Multinational Force)	8.000	27.200	
Haiti (Sanctions)	1.190		
Haiti (ICITAP)	7.000		
MFO - Sinai	16.700	16.090	17.000
New Independent States			5.000
Organization of African Unity	2.000	1.150	5.000
Sanctions Assistance Monitors	11.235	17.000	23.000
Somalia	4.000		
Tanzania	1.000		
UNFICYP	6.000		
War Crimes Tribunal	3.000		
PKO Total	82.435	74.150 <sup>b</sup>	100.000

<sup>b</sup> Reflects \$850,000 transferred from the PKO account to the International Military Education and Training Account pursuant to P.L. 103-306.

*SUB-SAHARAN AFRICA***SUB-SAHARAN AFRICA****OBJECTIVES:**

To further U.S. economic and political interests by assisting sub-Saharan African nations to adopt a system of democratic rule in order to enhance political stability, economic reform, and accountable governance. The specific objectives are:

- Regular, credible and transparent elections.
- Independent and accountable government institutions.
- An activist civil society and strong independent media.

To enhance regional stability by assisting sub-Saharan African nations with the development of a professional, apolitical, and economically affordable military forces and by supporting the deployment of forces to participate in regional peacekeeping operations and other conflict resolution efforts. The specific objectives are:

- Continued African support for, and participation in, international peacekeeping.
- A professional orientation of African militaries toward conflict resolution.
- Continued enhancement of professional competence on the part of African military forces.

**JUSTIFICATION:****Building Democracy**

In no other region has the worldwide trend toward democracy been more evident than in sub-Saharan Africa. Starting with only four democracies in 1989, Africa's political landscape has changed radically over the past five years. Transitional elections in twenty-eight countries, most of them credible, have moved authoritarian states towards democratic rule. Africans are strengthening democratic institutions and civil society, and preparing for at least seven more transitional elections.

The U.S. economic interest in helping to build stable African democracies is quite clear as massive humanitarian assistance, including military resources, and a good share of support for UN operations, flows toward the region in the wake of armed political and ethnic conflicts. Democratic reforms also set the stage for more efficient and accountable governance, greater participation, economic growth and sustainable development. In addition, democratic states tend to make better trading and investment partners.

The U.S. commitment to building democracy is implemented through policy dialogue and a strategic approach to resource allocation in the 48 sub-Saharan countries with which the United

*SUB-SAHARAN AFRICA*

States has diplomatic relations. On the multilateral level, the United States and other donors increasingly coordinate bilateral assistance, and are effectively pressing heads of state toward political and economic reform. Where the struggle for democracy continues, the United States seeks to provide support for reformers through modest programs while continuing to press the government toward greater change where needed.

African political reform is encouraging, but new democracies and countries in transition face difficult challenges, such as struggling economies, high levels of poverty, disease and environmental degradation, high population growth rates and, in some countries, entrenched authoritarian leaders, recalcitrant militaries, or civil conflicts which threaten the welfare of millions of people. Even where elections were most successful, a democratic culture and institutions are not easily or quickly established.

Africans continue to need outside assistance as they move toward ever greater political reform. While the bulk of U.S. assistance for Africa is funded through Development Assistance and therefore is outside the scope of this presentation, the ESF funds requested for the Africa Regional Democracy Fund play a critical role in supporting countries in transition through smaller, short-term, strategic interventions which are high-impact and cost-effective.

**Peacekeeping and Building a Democratic Military**

The United States holds as its security interests in Africa, apart from the benefits from military access, overflight and landing rights in a number of states, the objectives of fostering security, stability, and resolution of the many conflicts that plague the region. African militaries take an important part in the transition to and security of, democratic, stable governments. U.S. military contacts with, and assistance to, African militaries promote a positive assertion for the role of the armed forces in democratic societies, as well as respect for human rights and conflict resolution.

African militaries are often oversized and dominate scarce public spending. Through the IMET program, the United States can assist countries in developing defense management expertise and help African nations to downsize and rationalize their military force structure and to undertake technical and bureaucratic steps leading to more affordable armed forces. IMET training will also seek to promote development of national militaries with characteristics which support democracy: an apolitical role for the military; subordination of the military to civil government; respect for the rule of law; respect for human rights; primary military mission of external defense of the state; fiscal responsibility; and personal integrity. These characteristics have been and will continue to be the focus of our current range of interface with African militaries -- IMET (including defense resource management training), regional seminars, and various exercise programs.

Africa currently is witness to a substantial number of conflicts and regional conflict can reasonably be expected to continue for the foreseeable future. While peacekeeping is routinely referred to as a "growth industry," neither the U.S. nor the UN are currently inclined to take a proactive first person on-the-ground role in resolving most African conflicts. African militaries, notably those from Ghana, Senegal, Niger, Botswana, Zimbabwe, Tanzania, Uganda, Ethiopia, Zambia, Malawi, and Namibia, operating under UN and prospectively under OAU auspices, have contributed forces to international peacekeeping operations in

*SUB-SAHARAN AFRICA*

Cyprus, the Middle East, Cambodia, Desert Storm, Somalia, Mozambique, and Rwanda either in support or in lieu of U.S. and Western forces. FY 1996 PKO assistance will help to support African militaries' participation in international peacekeeping operations, either bilaterally or under the auspices of regional organizations such as the Organization of African Unity.

**EFFECTIVENESS MEASUREMENT:**

- Democratic rules of the game are established or progress is made toward that end in countries in transition. Regular, open and transparent elections occur, enhancing the accountability of elected officials with regard to human rights, political freedoms, economic reform and corruption.
- Democratic institutions such as the cabinet, legislature and judiciary exhibit greater independence, efficiency, and responsiveness to the needs of the governed. Civil society and the independent media are allowed to represent the interests of the governed, functioning as watchdogs on government and serving as educators regarding democracy and human rights.
- Participation in international peacekeeping operations indicates African support for international peace and stability.
- Initiation of a defense requirements review to design post-demobilization military force structures for selected African armed forces, and the preparation of a downsizing plan with time lines indicates successful commencement of military downsizing efforts.

## SUB-SAHARAN AFRICA

## AFRICA REGIONAL DEMOCRACY FUND

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

DESCRIPTION: Provide ESF for region-wide democracy building projects.

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
ESF	0.000	0.000	14.350

## OBJECTIVE:

- Promote democratic governance and respect for basic human rights.

## JUSTIFICATION:

The Africa Regional Democracy Fund will promote democratic governance and basic respect for human rights on a regional basis through programs managed by African and U.S. non-governmental organizations. This kind of assistance is critical, especially in countries where no USAID mission is present to manage bilateral projects. The Regional Democracy Fund will also provide types of support for political transitions which are outside the scope of our Development Assistance request. These include work with the military and police, and balance of payments assistance. The Regional Democracy Fund will also reinforce and complement other USAID-funded bilateral democracy activities.

Specifically, programs carried out under the Africa Regional Democracy Fund will:

- Promote credible elections.
- Fund investigative efforts to identify and prosecute human rights violators.
- Strengthen effective grassroots political participation through the development of an active civil society.
- Train responsive, independent new legislatures.
- Improve the administration of justice.
- Assist new or weak democracies in responding to urgent economic needs.

## EFFECTIVENESS MEASUREMENT:

- Greater transparency in elections; fewer cases of electoral fraud; higher voter turnout; fair electoral laws; and effective political party and NGO poll watching.
- Fewer human rights violations observed and reported.

*SUB-SAHARAN AFRICA*

- Growth in number and effectiveness of grassroots political and human rights organizations, reflecting higher political participation and a more diverse civil society.
- Independent legislatures whose members understand the legislative process, the role of a loyal opposition, and ways to communicate with and represent constituents.
- Improvements in the administration of justice and increased independence of judicial officials evidenced by fair (if at times politically unpopular) decisions.
- Reductions in balance of payments deficits or other public obligations resulting in greater economic and political stability.

## SUB-SAHARAN AFRICA

## AFRICA REGIONAL PEACEKEEPING

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

DESCRIPTION: Provide requisite peacekeeping materiel and training assistance to the following countries to facilitate their participation in international and regional peacekeeping operations: Botswana, Congo, Eritrea, Ethiopia, Ghana, Kenya, Malawi, Mali, Namibia, Niger, Senegal, South Africa, Tanzania, Uganda, Zambia, and Zimbabwe.

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
PKO	11.000	10.050	18.000

## OBJECTIVE:

- Enhance regional stability by assisting selected African militaries to participate in peacekeeping operations under the auspices of the Organization of African Unity and/or the United Nations.

## JUSTIFICATION:

A significant number of African countries have actively contributed military personnel and units for duty in international peacekeeping operations. African contingents participated in peacekeeping in the Congo Crisis during the 1960s, and in Cyprus, Lebanon, Operation Desert Storm, ex-Yugoslavia, Cambodia, Somalia, Mozambique, Rwanda and numerous other operations in subsequent years. Additional African states have also expressed the desire to participate in international peacekeeping, but have lacked resources, such as appropriate equipment and specialized training.

## EFFECTIVENESS MEASUREMENT:

- Increased commitment by select African states to participate in conflict resolution and peacekeeping activities.
- Wider African participation in Organization of African Unity and/or United Nations peacekeeping operations.

## SUB-SAHARAN AFRICA

## ANGOLA

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
ESF	0.000	0.000	10.000

## OBJECTIVES:

- Promote Angola's democratic development.
- Promote economic stability.

## JUSTIFICATION:

The history of U.S. involvement in Angola, combined with that country's failure to complete the demobilization process prior to 1992 elections and the resulting resumption of civil war, have made bringing an end to Angola's bloody conflict a U.S. foreign policy priority in Africa. With the November 20 signing of the Lusaka Protocol, the Angolans and International community are engaged in implementing this political and military framework for peace. The success of the peace process depends on more than the commitment of the Angolan parties and peacekeepers. Significant resources are needed to support demining, quartering of UNITA troops, demobilization and reintegration of ex-combatants. We will also have to begin addressing long-term democratization, human rights and sustainable development requirements.

FY-96 ESF funds will be used for two broad objectives which are linked to the peace process: promoting democratic development and economic stability.

Three million dollars will be devoted to democratic development programs. Specific initiatives would include support for the rule of law and human rights through promoting an independent judiciary with technical assistance to enhance the independence and professionalization of the judiciary, and for training on human rights standards and investigative techniques within the judiciary and Ministry of Justice. Additionally, we would promote a representative and accountable legislature through technical assistance and training on a non-partisan basis to enhance the policy analysis and legislative skills of parliamentarians, to instruct MPs on the role of parties and on coalition-building, and to develop effective parliamentary committees. Finally, some funding would promote a participatory civil society through enhancing the status of women by funding NGO projects to promote women's economic, civil, political and human rights through education and legal aid projects.

Five million dollars will be devoted to short term economic stability efforts concentrated on the four provinces most affected by the war: Uige, Malange, Bie and Huambo. This assistance would dovetail with U.N. plans for demobilization and reintegration of former combatants and the repatriation of Angola's displaced and refugee populations. Through an umbrella grant, we will support quick impact projects aimed at revitalizing communities devastated by the war — allowing renewed economic activities in these once prosperous areas.

*SUB-SAHARAN AFRICA*

The remaining two million dollars will be devoted to promote more transparent and sound Angolan Government economic policy decisions based on sustainable, broad-based, market oriented principles. Specific initiatives would include training and advisory support for key economic ministries and the development of a credible economic data-base.

**EFFECTIVENESS MEASUREMENT:**

- Measurable increase in economic and agricultural activity in targeted provinces.
- The judiciary assumes independence from party politics in cases involving human rights and government corruption. The Ministry of Justice actively pursues allegations of corruption and human rights abuse.
- The National Assembly assumes a position of greater influence vis-a-vis the Executive Branch creating greater transparency in Government operations and diffusion of authority. Within the National Assembly, opposition parties voice constructive criticism, begin to form cross-cutting coalitions, and develop legislative reforms.
- Market-oriented and transparent economic policy decisions by the Government of Angola.

## SUB-SAHARAN AFRICA

## BENIN

## PROGRAM SUMMARY

*(DOLLARS IN MILLIONS)*

	1994 Actual	1995 Estimate	1996 Request
IMET	0.099	0.100	0.150

**OBJECTIVE:**

- Enhance regional stability by assisting Benin in the development of a professional, apolitical, and economically affordable military force.

**JUSTIFICATION:**

Following its transition to democratic government and a free-market economy, the Government of Benin has identified the need to restructure and reduce the size of its armed forces to minimize the burden that the defense budget places on the national economy. However, it lacks the resources to undertake such an effort. The government also seeks to transform the military from being an instrument of the ruling party, to being an apolitical force dedicated to the defense of the nation. Training assistance will permit the continuation of military professionalization efforts.

**EFFECTIVENESS MEASUREMENT:**

- Notable progress towards development of an apolitical professional military, with respect for democratic institutions, human rights, and proper military-civilian roles in a democratic society.

## SUB-SAHARAN AFRICA

## BOTSWANA

## PROGRAM SUMMARY

*(DOLLARS IN MILLIONS)*

	1994 Actual	1995 Estimate	1996 Request
IMET	0.364	0.450	0.475

**OBJECTIVES:**

- Enhance the professionalism of the Botswanan military forces.
- Encourage Botswana to continue its support for, and participation in, international peacekeeping operations.

**JUSTIFICATION:**

Botswana has been a willing participant in international peacekeeping operations, but needs training assistance to meet its security objectives for national defense, to continue the process of professionalization and to permit continued credible participation in international peacekeeping operations. We propose to support this goal by providing various basic and advanced officers and non-commissioned officers professional development training programs.

**EFFECTIVENESS MEASUREMENT:**

- Notable progress towards the enhancement of professionalism of the Botswanan armed forces.
- Continued participation in international peacekeeping operations, indicating Botswanan support for international peace and stability.

## SUB-SAHARAN AFRICA

## BURUNDI

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
IMET	0.000	0.100	0.125

## OBJECTIVES:

- Enhance the professionalism of the Burundi armed forces.
- Encourage the Burundi military's respect for human rights and civilian control of the military in a democracy.

## JUSTIFICATION:

Burundi is in a fragile political state with deep divisions over the distribution of power within the society and polity. The role played by the Burundi military will significantly affect the stability of both Burundi and its neighboring states in central and eastern Africa. Our goal is to bring about greater professionalism within the military, concern for human rights and regard for the role of the military in a democratic process. We propose to support this goal by providing training on these issues for officers in the military forces of Burundi.

## EFFECTIVENESS MEASUREMENT:

- Notable progress towards development of an apolitical, professional military with respect for human rights and proper military-civilian roles in a democratic society.

## SUB-SAHARAN AFRICA

## CAMEROON

## PROGRAM SUMMARY

*(DOLLARS IN MILLIONS)*

	1994 Actual	1995 Estimate	1996 Request
IMET	0.100	0.000	0.100

## OBJECTIVES:

- Improve civil-military relations, as manifested by continued respect by the military for civilian control.
- Promote greater competence by the military in managing limited resources.

## JUSTIFICATION:

Cameroon is a key country in the central Africa sub-region, and a democratic Cameroon could potentially play a leadership role among its neighbors. A professional and apolitical military which understands democratic norms will further U.S. interests in Cameroon by enhancing political (and therefore economic) stability and respect for human rights.

IMET assistance is requested to foster democratic civil-military relations. The military forces in Cameroon in general, and the segment trained in the U.S. in particular, have maintained a neutral role in the control of civil unrest and have refrained from taking actions against the government despite recurring pay and morale problems and continuing signs of widespread dissatisfaction. U.S.-trained Cameroonian military are among the most outspoken critics of the current system of government. Junior officers tend to be more aggressive in this regard than mid-grade officers who are more cautious at higher levels of the military hierarchy.

Improvement in defense resource management remains difficult due to continued corruption and political/ethnic competition within the government.

In view of these conditions, the United States proposes that IMET aimed at increasing respect for human rights and the apolitical role of the military in a democracy be provided for the Cameroonian military forces. Courses appropriate to this end include Civil-Military Relations, Defense Resources Management, the Navy Justice School series, education, and courses taught by the Defense Equal Opportunity Management Institute.

## EFFECTIVENESS MEASUREMENT:

- Civil-military relations improve, as manifested by continued respect by the military for civilian control and greater competence by the military in managing limited resources.

## SUB-SAHARAN AFRICA

## CAPE VERDE

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
IMET	0.000	0.075	0.100

## OBJECTIVE:

- Foster increasing respect for human rights and the apolitical role of the military in a democracy.

## JUSTIFICATION:

In part, because of the example Cape Verde sets for other Portuguese-speaking African countries, the continuation and strengthening of multiparty democratic rule is a major U.S. policy interest in Cape Verde. Cape Verde supplies peacekeepers to Mozambique, has worked for peace in Angola and served with distinction on the UN Security Council during 1992 and 1993. The conduct of the Cape Verdean military will be critical to the country's continued progress on democratization, and the military looks to the United States for assistance in developing a professional competence with due respect for civilian control.

In 1991 Cape Verde became the second African country (after Mauritius) to change governments peacefully following a popular election won by an opposition party. Replacing a one-party, Marxist regime that had ruled since 1975, the new Government has worked diligently to carry out its promises of democracy, protection of human rights, and economic liberalization. Unfortunately, aside from symbolic changes such as a new flag, there has been little to satisfy the heightened expectations brought about by the change in government. In February 1994, Prime Minister Veiga headed off a strong challenge from party colleagues who are unhappy with the slow pace of economic development and are now talking of starting a third party.

Courses appropriate to enhanced incorporation of democratic values include Civil-Military Relations, Defense Resources Management, the Navy Justice School series and courses taught by the Defense Equal Opportunity Management Institute.

## EFFECTIVENESS MEASUREMENT:

- Civil-military relations are enhanced, as manifested by continued respect by the military for civilian control and greater competence by the military in managing limited resources.

## SUB-SAHARAN AFRICA

## CENTRAL AFRICAN REPUBLIC

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
IMET	0.000	0.175	0.125

## OBJECTIVES:

- Foster democratic civil-military relations, including respect for the rule of law and human rights.

## JUSTIFICATION:

The Central African Republic is one of Africa's newest multiparty democracies, having held successful elections in late 1993. The new government has evidenced respect for human rights and is seeking to implement further political and economic reforms. The C.A.R.'s strategic location at the center of the continent and willingness to support regional humanitarian operations and promote negotiations in neighboring countries' conflicts make them an important partner, emphasizing the need to consolidate the C.A.R.'s new democracy. A professional, apolitical and pro-democratic military will be an important bulwark for this nascent democracy.

The IMET program for C.A.R. military personnel has already led to a strongly pro-American officer corps more cognizant of its professional obligations, as witnessed in the positive role the army played during the 1993 presidential elections. As requested by the independent electoral commission, the army provided impartial and non-threatening security for polling locations. The 1996 training goal for the military forces is to increase their professional competence in managing limited resources and accountability to civilian government authorities. FY 1996 IMET will also foster respect for the rule of law and human rights by military and security forces.

## EFFECTIVENESS MEASUREMENT:

- Increased respect for human rights and the rule of law by military and security forces evidenced by fewer violations observed and reported.
- Improvement in civil-military relations, as manifested by continued respect by the military for civilian control and greater competence by the military in managing limited resources.

## SUB-SAHARAN AFRICA

## CHAD

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
IMET	0.225	0.175	0.100

## OBJECTIVES:

- Assist the Chadian government in rationalizing the size of their military establishment.
- Promote improved civil-military relations.

## JUSTIFICATION:

U.S. support for completion of the democratic transition in Chad, is in the national interest because of Chad's strategic location and its significant oil reserves. A stable, democratic government in Chad will be an important bulwark against spreading terrorism, radicalism and anti-Americanism as fomented by Libya and Sudan, and will be a stabilizing force on the whole central African region. U.S. investment in Chad's oil industry is already about \$1 billion and will increase significantly when a proposed oil pipeline through Cameroon is built. A professional, apolitical and pro-democratic military will be a prerequisite for the success of a democratic regime in Chad.

FY 1996 IMET assistance is requested to foster democratic civil-military relations. Following years of war with Libya and internal conflicts, the Chadian Government now finds itself with an overlarge military establishment. It dominates scarce domestic resources, straining the national budget and impeding improved civil-military relations.

## EFFECTIVENESS MEASUREMENT:

- The initiation of a Chadian plans to downsize its military.
- Improvement of civil-military relations, as manifested by continued respect by the military for civilian control and greater competence by the military in managing limited resources.

## SUB-SAHARAN AFRICA

## COMOROS

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
IMET	0.000	0.000	0.075

**OBJECTIVE:**

- Promote improved civil-military relations, emphasizing the proper role of the military in a democracy.

**JUSTIFICATION:**

The United States' interest in promoting democracy in the Comoros revolves around the need to establish a bulwark against the potential influence of radical fundamentalism in the region. The weakness of the Comorian economy is a significant obstacle to the country's transition to democracy.

The Comoros' defense force has shown itself to be a disciplined service, and its leadership has demonstrated its acceptance of civilian control. Despite three attempted coups in the past five years, the Comoro military has remained loyal to the civilian government. Continued control of the military by civilian authorities is a prerequisite for the ongoing success of democracy in the Comoros.

The Federal Islamic Republic of Comoros comprises three islands and claims a fourth, Mayotte, which is still governed by France. Until the assassination of President Abdallah in November 1989, the Comoros was a de facto one-party state. Early in 1990, opposition politicians returned from exile and a wide spectrum of political leaders and eight political parties contested presidential elections in two stages. The acting president, Said Mohamed Djohar, emerged the winner in the second round. The Djohar coalition government went through several reorganizations and survived three coup attempts, the most recent in September of 1992 by two sons of the late President Abdallah.

In view of the fragile democratic circumstances in the Comoros and the critical nature of continued defense force support for civilian authorities, the administration proposes that IMET on human rights and the apolitical role of the military in a democracy be provided for Comoros military forces.

**EFFECTIVENESS MEASUREMENT:**

- Continued respect by the Comoros defense force for roles and activities in support of civilian authority.

## SUB-SAHARAN AFRICA

## CONGO

## PROGRAM SUMMARY

*(DOLLARS IN MILLIONS)*

	1994 Actual	1995 Estimate	1996 Request
IMET	0.109	0.175	0.165

## OBJECTIVES:

- Enhance regional stability by assisting Congo with the development of a professional, apolitical, and economically affordable military force.
- Encourage Congo to continue its support for, and participation in, international peacekeeping operations.

## JUSTIFICATION:

The Government of Congo seeks to transform the military from being an instrument of the ruling party to being an apolitical, professional force dedicated to the defense of the nation. Congo has been a strong supporter of international peacekeeping operations, providing military observers for the Organization of African Unity peacekeeping effort in Rwanda in 1993, and peacekeepers for the UN sanctioned peacekeeping operation in Rwanda in 1994. Training assistance will permit continued credible participation in international peacekeeping operations and enhance professionalism by providing various basic and advanced officer and non-commissioned officer professional development training.

## EFFECTIVENESS MEASUREMENT:

- Notable progress towards development of an apolitical, professional military with respect for human rights and proper military-civilian roles in a democratic society.
- Continued participation in international peacekeeping operations, indicating Congo's support for international conflict resolution efforts.

## SUB-SAHARAN AFRICA

## COTE D'IVOIRE

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
IMET	0.150	0.150	0.160

## OBJECTIVES:

- Promote civil-military relations, emphasizing the proper role of the military in a democracy.

## JUSTIFICATION:

U.S. interests in West Africa will be facilitated through the regional leadership exercised by a democratic Cote d'Ivoire. Under President Bedie, Cote d'Ivoire has emerged as a major supporter of regional peace, stability, and cooperation. President Bedie has encouraged American involvement in his country's economy, and the United States also has a stake in supporting Cote d'Ivoire as a noteworthy example of economic progress in the West African region.

The Ivorian military forces have maintained a neutral role in the control of civil unrest and have refrained from taking actions against the government despite recurring pay and morale problems. U.S. trained Ivorian officers are consistently assigned highly visible positions in the military; candidates are carefully chosen and must be approved by the minister of defense. Defense training provides useful exposure to the U.S. model of civilian-military relations. However, improvement in defense resource management remains difficult due to continued economic decline and budgetary constraints imposed on the military.

In view of these conditions, the United States proposes that defense training be provided for Ivorian military forces. Courses appropriate to enhanced incorporation of democratic and human rights values include Civil-Military Relations, Defense Resources Management, the Navy Justice School series, the Law of War, Judge Advocate General education, and courses taught by the Defense Equal Opportunity Management Institute.

## EFFECTIVENESS MEASUREMENT:

- Improved respect and sensitivity by the military for human rights through integration of human rights training in military training courses, increased media attention to the issue and introduction of accountability mechanisms for human rights violations.
- Improved civil-military relations, as manifested by continued respect by the military for civilian control and greater competence by the military in managing limited resources.

## SUB-SAHARAN AFRICA

## DJIBOUTI

## PROGRAM SUMMARY

*(DOLLARS IN MILLIONS)*

	1994 Actual	1995 Estimate	1996 Request
ESF	1.000	0.000	0.000
IMET	0.106	0.120	0.150

## OBJECTIVES:

- Enhance regional stability by assisting Djibouti in the development of a professional, apolitical, and economically affordable military force.

## JUSTIFICATION:

Given Djibouti's strategic location and steady movement toward accommodating the rebel movement in 1994, the U.S. has an interest in assisting Djibouti's full transition to Democracy. U.S. assistance will also provide tangible evidence of our appreciation for Djibouti's unstinting support for U.S. military activities in the Horn.

While maintaining the military's mission to defend the state, the Djiboutian Government also seeks to transform the military's professional culture from a wartime to a nation building outlook. IMET assistance will permit the continuation of military professionalization efforts and support the military's participation in the post-conflict national reconstruction.

## EFFECTIVENESS MEASUREMENT:

- Increased progress towards development of an apolitical, professional military dedicated to nation-building and respectful of the proper military-civilian roles in a democratic society.

## SUB-SAHARAN AFRICA

## ERITREA

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
IMET	0.082	0.200	0.250

## OBJECTIVES:

- Enhance regional stability by assisting Eritrea in the development of a professional, apolitical, and economically affordable military force.
- Encourage Eritrea's support for, and participation in, international peacekeeping operations.

## JUSTIFICATION:

While maintaining the military's mission to defend the state, the Eritrean Government seeks to transform the military's professional culture from a wartime to a nation building outlook. Training assistance will permit the continuation of military professionalization efforts, permit credible participation in international peacekeeping operations and support the military's involvement in the post-conflict national reconstruction.

## EFFECTIVENESS MEASUREMENT:

- Increased progress towards development of an apolitical, professional military dedicated to nation-building and respectful of the proper military-civilian roles in a democratic society.
- Participation in international peacekeeping operations, indicating Eritrean support for international peace and stability.

## SUB-SAHARAN AFRICA

## ETHIOPIA

## PROGRAM SUMMARY

*(DOLLARS IN MILLIONS)*

	1994 Actual	1995 Estimate	1996 Request
IMET	0.113	0.250	0.300

## OBJECTIVES:

- Enhance regional stability by assisting Ethiopia in the development of a professional, apolitical, and economically affordable military force.
- Encourage Ethiopia's continued support for, and participation in, international peacekeeping operations.

## JUSTIFICATION:

While maintaining the military's mission to defend the state, the Ethiopian Government also seeks to transform the military's professional culture from a wartime to a nation building outlook. IMET will permit the continuation of military professionalization efforts, permit credible participation in international peacekeeping operations and support the military's involvement in the post-conflict national reconstruction.

## EFFECTIVENESS MEASUREMENT:

- Increased progress towards development of an apolitical, professional military dedicated to nation-building and respectful of the proper military-civilian roles in a democratic society.
- Continued participation in international peacekeeping operations, indicating Ethiopian support for international peace and stability.

## SUB-SAHARAN AFRICA

## GHANA

## PROGRAM SUMMARY

*(DOLLARS IN MILLIONS)*

	1994 Actual	1995 Estimate	1996 Request
ESF	0.100	0.000	0.000
IMET	0.229	0.200	0.250

**OBJECTIVES:**

- Enhance the professionalism of the Ghanaian military forces.
- Encourage Ghana to continue its support for, and participation in, international peacekeeping.

**JUSTIFICATION:**

Ghana has been a willing participant in international peacekeeping operations, but needs training assistance to meet its security objectives for national defense, to continue the process of professionalization and to permit continued credible participation in international peacekeeping operations. We propose to support this goal by providing various basic and advanced officers and non-commissioned officers professional development training programs.

**EFFECTIVENESS MEASUREMENT:**

- Continued progress towards the enhancement of professionalism of the Ghanaian armed forces.
- Continued participation in international peacekeeping operations, indicating Ghanaian support for international peace and stability.

## SUB-SAHARAN AFRICA

## GUINEA

## PROGRAM SUMMARY

*(DOLLARS IN MILLIONS)*

	1994 Actual	1995 Estimate	1996 Request
IMET	0.088	0.175	0.175

**OBJECTIVES:**

- Enhance the professionalism of the Guinean military forces.
- Encourage Guinea to continue its support for, and participation in, international peacekeeping operations.

**JUSTIFICATION:**

Guinea has been a willing participant in international peacekeeping operations, but needs training assistance to meet its security objectives for national defense, to continue the process of professionalization and to permit continued credible participation in international peacekeeping operations. We propose to support this goal by providing various basic and advanced officers and non-commissioned officers professional development training programs.

**EFFECTIVENESS MEASUREMENT:**

- Increased progress towards the enhancement of professionalism of the Guinean armed forces.
- Continued participation in international peacekeeping operations, indicating Guinean support for international peace and stability.

## SUB-SAHARAN AFRICA

## GUINEA-BISSAU

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
IMET	0.102	0.075	0.100

## OBJECTIVE:

- Enhance the professionalism of the Guinea-Bissau military forces.

## JUSTIFICATION:

Guinea-Bissau needs training assistance to meet its security objectives for national defense and to permit continued credible participation in operations providing coastal security. Our IMET program to date has been effective in assisting the reorganization of the military's administrative system, focusing attention on resource management. A graduate of Judge Advocate General training has returned to Guinea-Bissau to be the chief attorney for the military court. We propose to continue supporting these reforms by providing training to the military forces of Guinea-Bissau.

## EFFECTIVENESS MEASUREMENT:

- Increased progress toward enhancement of the military's ability to provide an adequate national defense and credible force to participate in coastal security operations.
- Continued commitment by the Guinea-Bissau military to a democratic society which respects human rights and regional stability.

## SUB-SAHARAN AFRICA

## KENYA

## PROGRAM SUMMARY

*(DOLLARS IN MILLIONS)*

	1994 Actual	1995 Estimate	1996 Request
IMET	0.288	0.280	0.350

## OBJECTIVES:

- Enhance the professionalism of the Kenyan military forces.
- Encourage Kenya's continued support for, and participation in, international peacekeeping operations.

## JUSTIFICATION:

Kenya has been a willing host for numerous international peacekeeping and humanitarian missions in the region. The Kenyan military has maintained an apolitical, professional role that enhances regional security in East Africa, but needs training assistance to meet its security objectives for national defense, to enhance professionalism and to permit credible participation in international peacekeeping operations. We propose to support this goal by providing various basic and advanced officer and non-commissioned officer professional development training programs.

## EFFECTIVENESS MEASUREMENT

- Notable progress towards the enhancement of professionalism of the Kenyan armed forces.
- Continued participation in international peacekeeping operations.
- Continued access to Kenyan ports and airfields for the achievement of regional objectives.

## SUB-SAHARAN AFRICA

## LESOTHO

## PROGRAM SUMMARY

*(DOLLARS IN MILLIONS)*

	1994 Actual	1995 Estimate	1996 Request
IMET	0.000	0.050	0.075

## OBJECTIVES:

- Improve civil-military relations, emphasizing the proper role of the military in a democracy.

## JUSTIFICATION:

The United States has an interest in strengthening democracy in Lesotho in order to prevent the country from descending into chaos and disorder which could negatively affect South Africa, its only neighbor and a new democracy facing challenges of its own.

A fully successful transition to sustainable democratic rule in Lesotho requires redefinition of the army's role and training to increase professionalism and respect for civilian authority in the ranks. There clearly remains much improvement to be made in terms of establishing civilian control, a concept military officers understand in principle, but have difficulty putting into practice. In view of the fragility of democracy in Lesotho and the importance of avoiding a military coup, the administration proposes that courses focused on human rights and military operations and civil-military relations be provided by mobile training teams in Lesotho, in order to bring the resource materials and training to the greatest number of individuals possible.

## EFFECTIVENESS MEASUREMENT:

- Improved civil-military relations, manifested by greater civilian control over the military.

## SUB-SAHARAN AFRICA

## MADAGASCAR

## PROGRAM SUMMARY

*(DOLLARS IN MILLIONS)*

	1994 Actual	1995 Estimate	1996 Request
IMET	0.000	0.000	0.100

**OBJECTIVE:**

- Enhance the professionalism of the Malagasy military force.

**JUSTIFICATION:**

Madagascar has completed a transition from over 15 years of socialist dictatorship to a multiparty democracy; economic restructuring toward a market-based economy has begun. To sustain the momentum, democracy must become more firmly anchored in civic society because the economic challenges are daunting.

The political turbulence of 1991-1992 underscored the need for the armed forces to continue to adhere to their apolitical role. A policy of encouraging the military to become a nation building/civic action institution assumes added importance in the effort to rebuild the devastated economic infrastructure. We propose to support this goal by providing, through IMET, courses which reinforce respect for human rights, military justice systems and the rule of law, and the role of the military in a democratic society.

**EFFECTIVENESS MEASUREMENT:**

- Notable progress toward development of an apolitical, professional military dedicated to nation-building and respectful of the proper military-civilian roles in a democratic society.

## SUB-SAHARAN AFRICA

## MALAWI

## PROGRAM SUMMARY

*(DOLLARS IN MILLIONS)*

	1994 Actual	1995 Estimate	1996 Request
IMET	0.125	0.125	0.250

## OBJECTIVES:

- Enhance the professionalism of the Malawian military forces.
- Encourage Malawi to continue support for, and participation in, international peacekeeping.

## JUSTIFICATION:

The Malawi military has maintained an apolitical, professional role in the midst of significant political evolution that enhances regional security in southern Africa. However, the military needs training assistance to meet its security objectives for national defense, to enhance professionalism and to permit credible participation in international peacekeeping operations. We propose to support this goal by providing various basic and advanced officer and non-commissioned officer professional development training programs.

## EFFECTIVENESS MEASUREMENT:

- Notable progress towards the enhancement of professionalism of the Malawi armed forces.
- Continued participation in international peacekeeping operations, indicating Malawian support for international peace and stability.

## SUB-SAHARAN AFRICA

## MALI

## PROGRAM SUMMARY

*(DOLLARS IN MILLIONS)*

	1994 Actual	1995 Estimate	1996 Request
IMET	0.134	0.155	0.150

## OBJECTIVES:

- Enhance regional stability by assisting Mali with the development of a professional, apolitical, and economically affordable military force.
- Encourage Mali to continue its support for, and participation in, international peacekeeping.

## JUSTIFICATION:

The Government of Mali seeks to transform the military to that of an apolitical force dedicated to the defense of the nation. Mali has been a strong supporter of international peacekeeping operations, providing military observers for the Organization of African Unity peacekeeping effort in Rwanda in 1993, and peacekeepers for the UN sanctioned peacekeeping operation in Rwanda in 1994. Training assistance will support continued credible participation in international peacekeeping operations and enhance professionalism by providing various basic and advanced officer and non-commissioned officer professional development training.

## EFFECTIVENESS MEASUREMENT:

- Notable progress towards development of an apolitical, professional military, respectful of the proper military-civilian roles in a democratic society.
- Continued participation in international peacekeeping operations, indicating Mali's support for international conflict resolution efforts.

## SUB-SAHARAN AFRICA

## MOZAMBIQUE

## PROGRAM SUMMARY

*(DOLLARS IN MILLIONS)*

	1994 Actual	1995 Estimate	1996 Request
IMET	0.000	0.125	0.125

**OBJECTIVE:**

- Enhance regional stability by assisting Mozambique in the development of a professional, apolitical, and economically affordable military force.

**JUSTIFICATION:**

Holding its first democratic elections in 1994, Mozambique is currently engaged in a massive effort to demobilize the two major opposing military establishments and integrate them into a new unified national armed force. A large international peacekeeping contingent is in place in Mozambique and a successful transition would boost confidence in such peacekeeping initiatives.

The proposed FY 1996 IMET program will reinforce democracy through courses that emphasize respect for human rights and the role of the military in a democracy. It will also provide professional military education to mid-level officers in the unified armed force.

**EFFECTIVENESS MEASUREMENT:**

- Notable progress towards depoliticizing the military's professional culture, and cultivating its respect for human rights and its dedication to the defense of the nation.
- Continued acceptance by the military of the leadership role of the civilian government, leading to increased peace and stability.

## SUB-SAHARAN AFRICA

## NAMIBIA

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
IMET	0.220	0.150	0.250

## OBJECTIVES:

- Enhance the professionalism of the Namibian military forces.
- Encourage Namibia to continue its support for, and participation in, international peacekeeping.

## JUSTIFICATION:

Namibia has built a successful multiparty democracy following independence in 1990, becoming a model of national reconciliation to emerging democracies in the region and on the continent. Individual rights are protected under the Constitution, a document of which Namibians across the political spectrum are proud and which all parties helped craft. The USG supports the professional development of the small Namibian Defense Force as an apolitical body, respectful of human rights and democratic values, including civilian control of the military. Namibia has demonstrated a willingness to participate in peacekeeping operations, contributing equipment and personnel to the UN peacekeeping operation in Cambodia. Training assistance is necessary to enable Namibia to meet its security objectives for national defense, to enhance professionalism, and to permit continued credible participation in international peacekeeping operations. The proposed FY 1996 IMET program will support this goal by providing various basic and advanced officer and non-commissioned officer professional development training programs.

## EFFECTIVENESS MEASUREMENT:

- Notable progress towards maintaining the military's apolitical professional culture, and cultivating its respect for human rights and its dedication to the defense of the nation.
- Continued participation in international peacekeeping operations, indicating Namibian support for international peace and stability.

## SUB-SAHARAN AFRICA

## NIGER

## PROGRAM SUMMARY

*(DOLLARS IN MILLIONS)*

	1994 Actual	1995 Estimate	1996 Request
IMET	0.200	0.200	0.300

## OBJECTIVES:

- Enhance the professionalism of the Nigerien military forces.
- Encourage Niger to continue its support for, and participation in, international peacekeeping operations.

## JUSTIFICATION:

Niger has been a willing participant in international peacekeeping operations, but needs training assistance to meet its security objectives for national defense, to continue the process of professionalization and to permit continued credible participation in international peacekeeping operations. We propose to support this goal by providing various basic and advanced officers and non-commissioned officers professional development training programs.

## EFFECTIVENESS MEASUREMENT:

- Notable progress towards the enhancement of professionalism of the Nigerien armed forces.
- Continued participation in international peacekeeping operations, indicating Nigerien support for international peace and stability.

## SUB-SAHARAN AFRICA

## ORGANIZATION OF AFRICAN UNITY

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

DESCRIPTION: To provide assistance to the Organization of African Unity (OAU) in supporting peacekeeping operations.

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
PKO	2.000	5.000	5.000

## OBJECTIVE:

- To promote peace and stability in Africa by supporting OAU peacekeeping operations and conflict resolution efforts.

## JUSTIFICATION:

The Organization of African (OAU) is in a unique position to conduct early intervention in African conflicts, thereby reducing the magnitude of human suffering and the level of destruction. The OAU has undertaken the commitment to actively engage in conflict prevention and resolution of crises on the African continent. During 1992-1993, the OAU conducted peacekeeping in Rwanda, where it provided and supervised a force of military observers, while OAU and other African mediators brokered a negotiated settlement to the Rwandan civil war. In December 1993, the OAU dispatched a small observer mission to Burundi as a confidence building measure in that ethnically divided country. For FY 1996, PKO funding will provide flexible support for OAU peacekeeping and conflict resolution efforts, allowing African nations to take the lead in resolving regional conflicts and averting humanitarian disasters.

## EFFECTIVENESS MEASUREMENT:

- Deployment of credible regional peacekeeping and conflict resolution operations by the OAU
- Reduced necessity for UN and/or U.S. peacekeeping and emergency relief efforts in Africa.

## SUB-SAHARAN AFRICA

## SAO TOME &amp; PRINCIPE

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
IMET	0.000	0.075	0.075

## OBJECTIVES:

- Improve civil-military relations through training, emphasizing the proper role of the military in a democracy.

## JUSTIFICATION:

Sao Tome and Principe held free and fair multi-party elections in 1991 which replaced the ruling party with an opposition party. Political stability, respect for human rights, and the continuation of democratic governance in a region which has experienced problematic political transitions and human rights abuses are the major U.S. interests in Sao Tome and Principe (STP). The United States also is completing a \$61 million Voice of America facility in STP which will soon be operational.

Since the constitutional reforms of 1990 and the elections of 1991, Sao Tome and Principe has made great strides toward developing its democratic institutions and further guaranteeing the civil and human rights of its citizens. Legislative elections are scheduled again in October of 1994. While there have been disagreements and political conflicts within the branches of government and the national assembly, the debates were carried out and resolved in open, democratic, and legal fora, in accordance with the provisions of GSTP law. The GSTP's respect for human rights has improved measurably in recent years.

The STP military forces, while maintaining an impartial position for the elections, has requested U.S. assistance to improve their level of competence in managing meager resources efficiently and in serving the civilian government in efforts compatible with the role of a military in a democracy. To achieve these objectives, the U.S. proposes that IMET on defense resources management, human rights and the role of an apolitical military in a democracy be provided for Sao Tomean military forces.

## EFFECTIVENESS MEASUREMENT:

- Civil-military relations improve, as manifested by increased respect by the military for civilian control and greater competence by the military in managing limited resources.

## SUB-SAHARAN AFRICA

## SENEGAL

## PROGRAM SUMMARY

*(DOLLARS IN MILLIONS)*

	1994 Actual	1995 Estimate	1996 Request
IMET	0.450	0.600	0.600

## OBJECTIVES:

- Enhance the professionalism of the Senegalese military forces.
- Encourage Senegal to continue its support for and participation in international peacekeeping operations.

## JUSTIFICATION:

Senegal has been a willing participant in international peacekeeping operations, but needs training assistance to meet its security objectives for national defense, to continue the process of professionalization and to permit continued credible participation in international peacekeeping operations. We propose to support this goal by providing various basic and advanced officers and non-commissioned officers professional development training programs.

## EFFECTIVENESS MEASUREMENT:

- Notable progress towards the enhancement of professionalism of the Senegalese armed forces.
- Continued participation in international peacekeeping operations, indicating Senegal's support for international peace and stability.

## SUB-SAHARAN AFRICA

## SEYCHELLES

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
IMET	0.000	0.000	0.060

## OBJECTIVES:

- Provide economic support for a struggling new democracy.
- Promote civil-democratic relations through training, emphasizing the proper role of the military in a democracy.

## JUSTIFICATION:

Presidential and legislative elections held in the Seychelles in mid-1993 were the first multiparty elections to be held since a June 1977 military coup, and were judged to be credible by national and international observers. Only one opposition candidate gained a seat in the National Assembly, and President France Albert Rene was returned to power. Since the democratic transition, the government has made substantial progress in respecting the rights of its citizens.

IMET is requested to foster democratic civil-military relations. In prior years, the IMET program, which emphasized Coast Guard training, was quite important to Seychelles, which has a large, strategically located economic exclusion zone. For example, in 1993 Seychelles captured the M/V Maria which was illegally transporting arms (including Serbian arms) to Somalia. In response to the re-establishment of multiparty democracy in the Seychelles, training is proposed for the military to improve defense resource management and enhance incorporation of democratic values. Proposed courses will emphasize civil-military relations, defense resources management and military justice.

## EFFECTIVENESS MEASUREMENT:

- Improvement of civil-military relations, as manifested by continued respect by the military for civilian control and greater competence by the military in managing limited resources.

## SUB-SAHARAN AFRICA

## SIERRA LEONE

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
IMET	0.000	0.050	0.120

## OBJECTIVES:

- Improve civil-military relations, with emphasis on the proper role of the military in a democracy.

## JUSTIFICATION:

The establishment of a stable, democratic government in Sierra Leone is an important U.S. policy interest in West Africa. The United States has benefitted, directly and indirectly, from Sierra Leone's significant contributions to Liberian and other peacekeeping missions, including the Persian Gulf. The U.S. supported Sierra Leone's successful structural adjustment program, and historically have maintained a small military aid program. The United States also funds 70 percent of the cost of emergency relief for more than one million Sierra Leoneans displaced by civil war. The government's success with democracy, economic, and security programs will promote peace and stability at home and in neighboring Liberia.

As the Government of Sierra Leone prepares for elections, it has identified the need to reduce the size of its armed forces and return the military to professional standards appropriate to institutions operating in an elected democratic government and to minimize the burden that the defense budget places on the national economy, but has lacked the resources to undertake such an effort. Sierra Leone also seeks to depoliticize the military's professional culture, and change it to that of an apolitical force dedicated to the defense of the nation. The military has also been implicated in human rights abuses.

In view of the expressed intention to return to democratic traditions in Sierra Leone and the need to increase respect for human rights, the FY 96 IMET program will offers courses such as civil-military relations, defense resource management, military justice, and courses taught by the Defense Equal Opportunity Management Institute.

## EFFECTIVENESS MEASUREMENT:

- Human rights abuses by the military decline.

## SUB-SAHARAN AFRICA

## SOUTH AFRICA

## PROGRAM SUMMARY

*(DOLLARS IN MILLIONS)*

	1994 Actual	1995 Estimate	1996 Request
IMET	0.104	0.250	0.500

**OBJECTIVE:**

- Encourage South Africa to support and participate in international peacekeeping operations.

**JUSTIFICATION:**

The peaceful transition to nonracial democracy in South Africa has had a significant impact on national and regional stability and political and economic confidence. The Government is engaged in a massive force integration effort, bringing members of the former national military, the homeland forces and the liberation armies together in a new, unified armed force. A successful consolidation of the military will further boost stability and confidence in a region of growing interest to the U.S. Because of its prestige and legitimacy, the new Government can potentially lend substantial support to conflict resolution in Africa, and its capable military establishment has the potential to make significant contributions to multilateral peacekeeping operations. The proposed FY 1996 IMET program will provide professional military education for officers in middle and upper ranks of the new integrated armed forces, focusing on the proper role of a military in a democracy, civil/military relations and affirmative action in the military.

**EFFECTIVENESS MEASUREMENT:**

- Participation in international peacekeeping operations indicating South Africa's support for international peace and stability.

## SUB-SAHARAN AFRICA

## SWAZILAND

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
IMET	0.000	0.050	0.080

**OBJECTIVES:**

- Enhance the professionalism of the Royal Swazi Defence Force.
- Encourage Swaziland's support for, and participation in, international peacekeeping operations.

**JUSTIFICATION:**

Swaziland is ruled by a traditional African monarchy responding to pressure to democratize. U.S. military training programs are aimed at solidifying the concept of military subordination to civilian control and improving the professional development of the Swazi military. The Government of Swaziland has indicated its willingness to provide troops for regional peacekeeping operations, but requires training to professionalize its military and to gain competence in the functional aspects of peacekeeping activities. We propose to support these goals by providing various basic and advanced officer and non-commissioned officer professional development training programs.

**EFFECTIVENESS MEASUREMENT:**

- Notable progress towards development of an apolitical, professional military, respectful of the proper military-civilian roles in a democratic society.
- Continued participation in international peacekeeping operations, indicating Swaziland's support for international peace and stability.

## SUB-SAHARAN AFRICA

## TANZANIA

## PROGRAM SUMMARY

*(DOLLARS IN MILLIONS)*

	1994 Actual	1995 Estimate	1996 Request
ESF	1.000	0.000	0.000
IMET	0.114	0.100	0.175

## OBJECTIVES:

- Enhance regional stability by assisting Tanzania with the development of a professional, apolitical, and economically affordable military force.
- Encourage Tanzania to continue its support for, and participation in, international peacekeeping operations.

## JUSTIFICATION:

The Government of Tanzania seeks to transform the military to that of an apolitical force dedicated to the defense of the nation. Tanzania has been a new supporter of international peacekeeping operations, providing a military contingent in support of the Cotonou Accord for national reconciliation in Liberia. Training assistance will permit continued credible participation in international peacekeeping operations and enhance professionalism by providing various basic and advanced officer and non-commissioned officer professional development training.

## EFFECTIVENESS MEASUREMENT:

- Notable progress towards development of an apolitical military, respectful of civilian control and dedicated to the defense of the nation.
- Continued participation in international peacekeeping operations, indicating Tanzania's support for international conflict resolution efforts.

## SUB-SAHARAN AFRICA

## UGANDA

**PROGRAM SUMMARY**  
(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
IMET	0.128	0.150	0.200

**OBJECTIVES:**

- Enhance the professionalism of the Ugandan military forces.
- Encourage Uganda to continue its support for, and participation in, international peacekeeping operations.

**JUSTIFICATION:**

Uganda is a new participant in international peacekeeping, having provided a military contingent to support the Cotonou Accord for national reconciliation in Liberia, and needs training assistance to meet its security objectives in national defense and to permit continued credible participation in international peacekeeping operations. We propose to support this goal by providing basic and advanced officers and non-commissioned officer professional development training programs.

**EFFECTIVENESS MEASUREMENT:**

- Notable progress towards the enhancement of professionalism of the Ugandan armed forces.
- Continued participation in international peacekeeping operations, indicating Uganda's support for international peace and stability.

## SUB-SAHARAN AFRICA

## ZAMBIA

## PROGRAM SUMMARY

*(DOLLARS IN MILLIONS)*

	1994 Actual	1995 Estimate	1996 Request
IMET	0.075	0.100	0.150

## OBJECTIVES:

- Enhance regional stability by assisting Zambia with the development of a professional, apolitical, and economically affordable military force.
- Encourage Zambia to continue its support for, and participation in, international peacekeeping operations.

## JUSTIFICATION:

Zambia is a politically stable country with a democratically- elected government that generally respects human and civil rights. The Zambian armed forces are apolitical and focused on their national security mission. Zambia has demonstrated its commitment to collective security and peacekeeping, providing forces for UN operations in Mozambique and by pledging forces for peacekeeping in Rwanda and Angola. Training assistance will permit the continuation of military professionalization efforts and expose Zambian personnel to international peacekeeping concepts and standards.

## EFFECTIVENESS MEASUREMENT:

- Maintenance of the Zambian military's apolitical role and its dedication to defense of the nation.
- Continued participation in international peacekeeping operations, indicating Zambian support for international conflict resolution efforts.

## SUB-SAHARAN AFRICA

## ZIMBABWE

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
IMET	0.241	0.250	0.250

## OBJECTIVES:

- Enhance regional stability by assisting Zimbabwe with the development of a professional, apolitical, and economically affordable military force.
- Encourage Zimbabwe to continue its support for, and participation in, international peacekeeping.

## JUSTIFICATION:

Zimbabwe plays an important political and economic role in southern Africa and has been an active participant in international peacekeeping, contributing one battalion of troops to Somalia and small contingents to Angola and Rwanda. Civil and human rights are generally respected and the judiciary has proven to be independent. The military is highly professional, accepts civilian control and has been a source of stability in the region. Training assistance will enhance military professionalization efforts and expose the military to international peacekeeping standards.

## EFFECTIVENESS MEASUREMENT:

- Maintenance of the military's respect for civilian control and its dedication to national defense.
- Continued participation in international peacekeeping operations, indicating Zimbabwe's support for international conflict resolution efforts.

## EAST ASIA AND THE PACIFIC

### OBJECTIVES:

To enhance regional peace and security in East Asia and the Pacific, all of the program requests for FY 1996 are specifically designed to support the President's four priorities in this most important region:

- Continued American military engagement in the region.
- Stronger efforts to combat the proliferation of weapons of mass destruction.
- New regional dialogues on the full range of our common security challenges.
- Support for democracy, respect for universal principles of freedom and human rights and more open societies throughout the region.

### JUSTIFICATION:

East Asia and the Pacific is the world's largest consumer market and our biggest export market. Last year (in 1993) our exports were worth more than 135 billion dollars and accounted for about 2.6 million American jobs. Thirty-six percent of U.S. trade is with the region, more than half again as large as with Western Europe. The economic vigor of the United States increasingly is dependent on global economic health and development. President Clinton has declared our domestic economic renewal as his highest priority, and no region of the world is more crucial in this regard than Asia and the Pacific. This economic development that is so vital to our nation's economy has only been made possible in Asia through the peace and stability which U.S. forces and a U.S. presence have provided over the last 45 years.

As President Clinton stated in his speeches at Waseda University in Japan and before the Korea National Assembly last year, the United States intends to remain actively engaged in East Asia and the Pacific. The United States is, after all, a Pacific nation. The best way to deter regional aggression, perpetuate the region's robust economic growth, and secure our own maritime and other interests, is to have an active presence.

Major uncertainties exist regarding the region's continued stability. Economic and political development is uneven. We have fought three wars in Asia during the past half century. In the aftermath of the Cold War, historical animosities and regional tensions could threaten U.S. economic and political influence and spark fresh arms races in Asia. For the first time since World War II, key countries in the region are calling for a continued U.S. military presence in East Asia. Our friends and allies fear that a precipitous U.S. withdrawal would create a power vacuum others might be tempted to fill.

Our bilateral alliances in East Asia and the Pacific and our forward-deployed forces are the cornerstone of our security engagement in the Asia-Pacific region. Our strong partnership with Japan is especially important. Our bilateral security alliance and close political cooperation allow us to work with Japan towards common goals and to enhance regional stability. Conventional deterrence on the Korean peninsula and continued international pressure on North Korea over the nuclear issue are critical national security concerns. As the PRC continues its transition toward a market economy and more open society, promoting China's integration into the Asian community serves U.S. interests and is vital to regional stability.

*EAST ASIA AND THE PACIFIC*

While we are not seeking new bases in East Asia and the Pacific, access to repair and logistic facilities in Southeast Asia is essential to our ability to respond to contingencies in the region and in the Middle East. We are also committed to support the emerging democracies in Cambodia and Mongolia, and assist President Ramos in the Philippines as he moves that nation toward national reconciliation and economic liberalization. The President has also continually stressed our commitment to the fullest possible accounting for our POW/MIAs in Southeast Asia.

The Administration believes that the modest programs we have proposed for selected countries and purposes in Asia and the Pacific are a sound investment for the United States. The Southeast Asia Regional Fund was created in FY 1993 in anticipation of the continued demand for U.S. assistance following the Cambodia peace accords and to support cooperation on POW/MIA matters, expand cooperation on counter-narcotics, and begin to address global and regional security issues. This year's Asian Regional Democracy and Security Fund request will respond to changing security situations in the region and provide a modest program targeted at reducing tensions, preventing arms races, and combatting the proliferation of weapons of mass destruction through the ASEAN Regional Forum (ARF) and other regional dialogues on these issues. It will also support regional trends toward democratization and greater respect for human rights.

The South Pacific Regional Fisheries Treaty guarantees continued access by the U.S. fishing fleet to large portions of the South Pacific, which harbor two-thirds of the world's tuna resources. This FY 1996 economic aid program is required by the Treaty.

Our IMET programs enhance our interaction with armed forces in the region and serve our long-term security interests. They are an invaluable tool that complement our political military objectives of broadening our relations with the armed forces in the region, increasing joint exercises, and enhancing our access to service facilities for our forward-deployed forces. By increasing the exposure of foreign armed forces personnel to U.S. concepts concerning civilian control of the military and human rights, these programs support our goal of furthering democratization.

**EFFECTIVENESS MEASUREMENT:**

- Recognition by friends and allies in the region of a continued American military commitment and engagement through security assistance programs, IMET programs, ship visits, and maintenance of U.S. forces stationed in the Asia-Pacific theater.
- Decline in the proliferation of weapons of mass destruction through increased contacts, conferences, and cooperation.
- Reduction of tensions and insurance of continuing peace and stability in the region through participation in ASEAN Regional Forum (ARF) workshops and other regional security fora which address the full range of our common security challenges.
- Increased interoperability with, and access, for U.S. forces.
- Increased support for democracy, respect for universal principles of freedom and human rights and more open societies throughout the region.
- Support of world-wide narcotics control efforts.

Country and program detail follows.

## EAST ASIA AND THE PACIFIC

## ASIA REGIONAL DEMOCRACY &amp; SECURITY FUND

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
ESF	0.000	0.000	8.810

## OBJECTIVES:

- Promote respect for the rule of law and human rights.
- Help build a participatory civil society.
- Promote a free and open media.
- Promote representative and accountable government.
- Promote regional security dialogues.

## JUSTIFICATION:

While East Asia and the Pacific holds some of the world's most advanced democracies, democratic development in the region is uneven. Several Pacific Island countries continue to experience growing pains relative to their constitutions and parliamentary government. Fiji is in the process of reviewing its constitution. Tonga wrestles with a traditional monarchy. Papua New Guinea is considering its provincial government structure. Kiribati (July, 1994) and Tuvalu (December, 1993) recently held elections and are in the process of developing the concept of a "loyal opposition". Promoting democracy and security in East Asia and the Pacific remains a high priority of the Administration.

The ESF requested for this Fund would support a range of programs to promote democracy, human rights, security and economic development. Workshops and seminars would be developed specifically to promote respect for the rule of law and human rights; the growth of participatory civil society and human rights awareness; the development of a free and open media; and representative and accountable government. Included is a \$5 million program to promote the growth of civil society in China. Security programs will focus on Pacific Island economic stability and U.S. investment in the region, confidence building measures, non-proliferation, peacekeeping, disaster relief, military transparency measures, and maritime security issues.

## EFFECTIVENESS MEASUREMENT:

- Overall evidence of a more efficient and independent judiciary, minimizing delay in court cases and increasing observance of the rights of defendants.
- The involvement of a wider spectrum of Asian governmental and societal representatives in constructive dialogues on human rights and democracy in Asia.
- Progress toward the observance and implementation of universal standards of human rights, and international standards of worker rights, as demonstrated by government policy and verified by independent observation.

*EAST ASIA AND THE PACIFIC*

- NGO activity that indicates a more active and independent civil sector.
- Evidence that the media is able to report candidly and critically on government policy and actions, without reprisal.
- Increased understanding of the role of the legislature by legislators, and increased competence and participation of legislative officials in public policy debates.
- Establishment of a Pacific Island Regional Joint Commercial Commission Secretariat and increased trade and investment with the United States.
- Emergence of a consensus for various confidence building measures that reduce pressures for conventional arms races and proliferation while framing resources in national budgets for sustainable economic development in the Asia-Pacific region.

## EAST ASIA AND THE PACIFIC

## CAMBODIA

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
ESF	14.861	19.500	39.520
FMF	0.750	1.300	3.000
IMET	0.122	0.200	0.300

## OBJECTIVES:

- Develop stronger mechanisms and organizations to promote democratic processes.
- Develop transparent and credible legal, regulatory, and judicial systems.
- Promote broad-based economic growth.
- Restructuring and develop basic military infrastructure.
- Promote civilian control of the military, military justice, and respect for international human rights standards.

## JUSTIFICATION:

U.S. interests in Cambodia are fundamental: preserving hard-won democratic gains in the former "killing fields" and preventing the return to power of the brutal Khmer Rouge. Cambodia is an illustration of democracy's promise, but its success cannot be taken for granted. The peaceful status of the country and the strength of the government are fragile.

In 1993, 90 percent of eligible Cambodians showed their commitment to democracy by braving threats of violence to participate in democratic elections following over 20 years of civil war and totalitarian government. This election was the culmination of one of the United Nations' largest and most successful peacekeeping operations. Cambodia now has a coalition government which is fostering an open political climate. At the same time, it is struggling to build a democratic culture in the face of enormous challenges, including the ongoing threat posed by the Khmer Rouge insurgency.

Cambodia's democratic institutions require and merit sustained international support. Requested ESF programs for FY 1996 are intended to develop stronger mechanisms and organizations to promote democratic processes. Implementation of transparent and credible legal, regulatory, and judicial systems is essential. Cambodia needs improved administrative and analytical support to the legislative process. Judicial functioning must be strengthened. Administrative efficiency, analytic capability and management of resources in ministries should be brought to higher levels, and public access to legal information increased. Cambodian democracy cannot survive without broad-based economic growth. Planned programs nurture growth by helping to establish an outward-looking market-oriented policy framework. The focus is on improved policy formulation and implementation in key economic ministries. Programs also seek to involve rural communities in Cambodia's shift to market economics and democratic politics by rehabilitating farm-to-market roads.

*EAST ASIA AND THE PACIFIC*

Foreign military financing would purchase engineering, medical and land, sea and air transportation assets for reform, restructuring and development of the basic military infrastructure. U.S. defense training would expose current and emerging Cambodian leadership to military professional development courses and technical training and would continue training of civilian and military officials in courses promoting civilian control of the military, military justice, and respect for international human rights standards.

**EFFECTIVENESS MEASUREMENT:**

- Promulgation of criminal, contract, and environmental legislation.
- Development and availability to public of database of existing laws.
- Adoption and publication of a legislative agenda.
- Publication of program and operating budgets within ministries.
- Publication of court dockets and regular assignment of judges to courts and cases, in both the civilian and the military justice systems.
- Establishment of functioning command, control, and communications systems.
- Publication and implementation of schedules for regular payment of salaries and maintenance of equipment.
- Promulgation of RCAF regulations on respect for human rights and democratic civil-military relations.

## EAST ASIA AND THE PACIFIC

## INDONESIA

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
IMET	0.000	0.000	0.600

## OBJECTIVES:

- Improve the overall professionalism and readiness of the Indonesian Armed Forces.
- Assist in addressing U.S.-Indonesian interoperability issues during peacekeeping operations by training key officers in our doctrine and operational techniques.
- Support safe operation and maintenance of U.S. defense articles through provision of technical training on U.S. equipment.
- Promote military accountability, respect for civilian authority, and the observance of human rights.

## JUSTIFICATION:

The Indonesian military historically has played a large role in government and society, viewing itself as a unifying force among the various ethnic, religious and political elements in Indonesia. The U.S. continues to encourage Indonesia to strengthen its democratic processes and respect for internationally recognized human rights standards. Recent years have seen the de facto emergence of an independent trade union, the growth of NGOs, an increasingly open press, and growing understanding of international human rights norms. The U.S. will use its influence with the military to encourage an appreciation of these emerging democratic developments, as well as to promote enhanced professionalism, accountability, and respect for civilian authority.

IMET can expand the Indonesian Armed Forces' own education and training programs and develop in the IAF a cadre of trainers which can further improve their individual military education and training capabilities. Courses have primarily been in the following areas: post graduate management, professional military education, technical skills courses, and English language instructor courses.

IMET graduates have played a major role in improving interoperability with U.S. forces and in furthering the development of an effective training and education system in Indonesia. Upon completion of a professional military education course, each graduate is normally assigned to develop curriculum. Graduates have also been instrumental in rationalizing the Army's personnel management system, developing a new reserve force, establishing and upgrading the information management systems, establishing a modern patient care system in health services, and introducing modern training technologies, including simulations. The FY 1996 IMET program will also emphasize Expanded IMET training. Funds requested to support English language training are particularly essential for interoperability and to ensure the availability of future language-qualified candidates for training in the U.S.

*EAST ASIA AND THE PACIFIC***EFFECTIVENESS MEASUREMENT:**

- The development and exercise of a modern doctrine that encompasses combined, joint, multi-national, and peacekeeping operations, initially taking the form of simulations and command post exercises.
- An expressed interest in pursuing interoperability issues within the context of combined peacekeeping operations.
- An effort to modernize and streamline the Indonesian military's logistics system.
- The adoption of U.S. military systems, including systems in personnel, logistics, and tactical training.
- Increased professionalism and respect for human rights among military officers.

## EAST ASIA AND THE PACIFIC

## LAOS

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
INC	2.000	2.200	2.000

## OBJECTIVES:

- Reduce opium produced to make heroin for international markets.
- Disrupt production, distribution, and trafficking of heroin.
- Combat opium and heroin abuse in Laos.

## JUSTIFICATION:

While Laos remains a major opium producer, estimated potential opium production has dropped more than 50 percent since U.S. and United Nations alternative development/opium crop reduction programs began in 1989. The Government of Laos (GOL) stresses its commitment to suppressing opium production, reflected in four consecutive years of declining estimated opium production, but economic underdevelopment and the limited rural infrastructure pose serious obstacles to continued progress. The Lao government recently unveiled a comprehensive drug control plan through the year 2000.

The U.S.-financed Houaphan Opium Crop Control Project includes infrastructure development, agricultural and health training, and extension services. Road-building to open remote areas to markets is continuing, as is construction of three small dams to irrigate 460 hectares of new rice paddies, making two districts nearly self-sufficient. The project also offers modern agricultural techniques to grow and market such alternative crops as soybeans, coffee and livestock, and will help start other income-producing activities such as weaving. Health centers are being expanded to provide better services and treat opium addicts.

The recently-created police counternarcotics unit is now housed in its own quarters and equipment is being supplied. The unit has received some training and is functioning. This initial unit is envisioned as the nucleus of a larger force that will expand into other areas of the country. However, Laos' mountainous borders with Burma, Thailand, Vietnam, Cambodia, and China are ideal for smuggling heroin and other contraband, while police and customs officers are poorly paid, trained and equipped. The **Narcotics Law Enforcement Project** will increase Lao capability to fulfill its counternarcotics responsibilities through provision of training, equipment, and supplies. The project will also assist the Lao Customs anti-smuggling unit, established in 1991, to improve its counternarcotics capability.

The **FY 1996 Alternative Crop Development Project** will focus on dam construction, while sustaining agricultural extension, health and community development programs. Completion of the dams are essential to increase paddy lands, which provide an alternative food and income source to opium farmers. FY 1996 funding is necessary to complete the original project after discovery of unexploded ordnance at all three dam sites.

*EAST ASIA AND THE PACIFIC*

The **Law Enforcement Project** will continue in FY 1996 with procurement of equipment and training where needed.

**Program Development and Support** funds will provide salaries, benefits and allowances for U.S. and foreign national personnel, short-term TDY assistance, and other general administrative and operating expenses for program planning, design, implementation, monitoring and evaluation. A direct-hire NAS position was established in FY 1993.

**EFFECTIVENESS MEASUREMENT:**

- Completion of dam construction for the Houaphan Project to promote and increase access to alternative, non-drug markets.
- Expansion of the police counternarcotics unit, and provision of equipment and training.

## EAST ASIA AND THE PACIFIC

<b>LAOS</b> <b>INC BUDGET</b> <b>(\$000)</b>
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	FY 1994	FY 1995	FY 1996
<b>Alternative Crop Development</b>	1,629	1,710	1,500
Agricultural assistance, alternative economic activities, infrastructure improvements, roads, water sources, dams; demand reduction, public health and education			
<b>Narcotics Law Enforcement</b>	125	200	200
Commodities and training			
<b>Program Development and Support</b>			
U.S. Personnel:			
Direct-hire (1)	150	160	160
Contract (1)	20	40	50
Non-U.S. Personnel			
Contract (1)	10	10	10
Project Support	66	80	80
Subtotal	246	290	300
<b>TOTAL</b>	<b>2,000</b>	<b>2,200</b>	<b>2,000</b>

## EAST ASIA AND THE PACIFIC

## MALAYSIA

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
IMET	0.318	0.500	0.600

## OBJECTIVES:

- Broaden and enhance military relations and influence in the region by gradually increasing military contacts with Malaysia.
- Expand cooperation and training with U.S. forces.
- Expand U.S. access to Malaysian military facilities.
- Strengthen Malaysian self defense capabilities.

## JUSTIFICATION:

The U.S. conducts a series of land, sea, and air exercises with Malaysia and also carries out a formal intelligence exchange. Military cooperation is carried out through the bilateral training and consultative group (BITAC). The U.S. security assistance program, comprised of FMS, commercial, or cash sales to the Malaysian Government, and the IMET program reinforce our defense cooperation under BITAC.

U.S. defense cooperation directly supports Malaysia's continued economic and political stability. Since independence in 1957, Malaysia has maintained an open, parliamentary political system, fair elections, and a free-market economy. Malaysia's small and highly professional military establishment plays no significant political role.

The provision of IMET funds to Malaysia is pursuant to the U.S. policy objective of promoting peace by enhancing Malaysia's ability to contribute to regional alliances, coalition operations, and other collective security efforts to counter aggression and maintain international peace and security.

## EFFECTIVENESS MEASUREMENT:

- Promotion of IMET graduates to senior leadership positions.
- Improvement of operational readiness rates of major military equipment items (i.e. fighter aircraft, frigates, logistical support) based on Malaysian military personnel being exposed to U.S. military educational system.

## EAST ASIA AND THE PACIFIC

## MONGOLIA

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
ESF	0.000	0.000	10.000
IMET	0.050	0.100	0.100

## OBJECTIVES:

- Maintain peace and promote regional stability in Central Asia, along the Chinese-Russian border, by helping develop Mongolia's democratic government and market economy through near-term support of the energy sector.
- Maintain Mongolia's energy system until international financial institutions develop and implement a plan to replace the country's three antiquated, Soviet-built power plants.
- Enhance the operational skills and effective management of the Mongolian military in a democratic society

## JUSTIFICATION:

Mongolia, located between Russia and China, acts as a key buffer zone in Central Asia. The transition of Mongolia, a Soviet-style communist state for over six decades until 1990, to a more democratic society and open economy serves as an example of the benefits of reform to other former communist states and developing nations. That transition is not complete, and the principal threat to it is the energy situation. There have been major problems with energy supplies due to the antiquated infrastructure and poor conditions of the coal mines. Mongolia is facing another harsh winter with very uncertain energy supplies. In the past, the U.S. provided to Mongolia significant technical and humanitarian assistance as well as emergency food aid and balance of payments support.

The U.S. energy project, in operation since 1991, has given Mongolia breathing room to continue economic reforms in the face of hardships and severe winters. An independent Mongolian government helps maintain peace and stability in Central Asia. A lack of electricity or heat would threaten reform, development, and regional stability, and potentially lead to a dangerous, destabilizing power vacuum on the borders of Russia and China.

The IMET program in Mongolia aims to enhance the operational skills, professionalism, and effective management of the military in a democratic society. This will be accomplished through participation in professional military education programs and courses addressing resource management and civil-military issues.

## EFFECTIVENESS MEASUREMENT:

- Maintenance of the Mongolian energy system through the winter such that it provides sufficient electrical power and heating to permit the Mongolian government, military, and private sector not only to function, but also to develop and reform the country.
- Enhanced professionalism of the military and greater respect for U.S. values, including civilian control of the military.

## EAST ASIA AND THE PACIFIC

## PAPUA NEW GUINEA

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
IMET	0.050	0.125	0.175

## OBJECTIVES:

- Engage the Papua New Guinea Defense Force (PNGDF) in the prevention of poaching, furthering area fisheries treaties.
- Enable PNGDF to further its security and stability by removing unexploded WWII ordnance at Bougainville Island.

## JUSTIFICATION:

The maritime training would enhance PNGDF ability to prevent fisheries poaching by foreign vessels. It would also support regional efforts to develop maritime search and rescue and law enforcement capabilities. Explosive ordnance disposal training will enable the PNGDF to remove munitions from Bougainville island, scene of a continuing insurgency, as well as World War II munitions elsewhere in PNG.

## EFFECTIVENESS MEASUREMENT:

- Assignment of IMET graduates to positions utilizing their training upon return to PNG.

## EAST ASIA AND THE PACIFIC

## PHILIPPINES

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
IMET	0.876	1.195	1.400

## OBJECTIVES:

- Support Philippine participation in regional peacekeeping operations.
- Improve professionalism of Armed Forces of the Philippines.
- Open lines of communication between military line and JAG officers and their civilian counterparts, and enhance cooperation in adhering to the rule of law and lessening or eliminating human rights abuses.

## JUSTIFICATION:

The formal closing of our bases in 1992 ended an era of U.S. military units in the Philippines. However, we retain broad strategic interests in the Philippines based on shared obligations in the Mutual Defense Treaty; the key role the Philippines Armed Forces play in maintaining domestic order, combatting insurgencies and contributing to peace and stability in the region; and the importance of a secure and stable Philippines as a market for U.S. goods and services.

A small amount of security assistance helps promote increased defense cooperation with the United States and signals to the Philippines, as well as other nations in the region, that we intend to remain engaged there. Cooperation, training and other assistance-related efforts provide the U.S. with access to current and future decision-makers in the event that we require assistance to move or resupply essential forces and materiel during a future crisis. No form of assistance has been shown to be more cost-effective in maintaining and assuring the continuation of a strong working relationship between the AFP and U.S. forces than the U.S. IMET programs.

For FY 1996, this request is seeking an expanded level of training in the area of military justice and human rights to open lines of communication between military line and JAG officers and their civilian counterparts and enhance cooperation in adhering to the rule of law and lessening human rights abuses. IMET programs requested for FY 1996 include part of the curriculum of the four-phase Naval Justice School, Military Justice Systems and Human Rights Seminar and professional military education courses. In addition, the Philippines has hosted the Pacific Region Defense Resources Management (DRM), with participants from the Philippines and four other Asian countries. The Philippines is considering starting a DRM program of its own.

## EFFECTIVENESS MEASUREMENT:

- Enhanced readiness and effectiveness of AFP in dealing with security threats and in contributing to the maintenance of regional security.
- Continued decline in or elimination of human rights abuses by the AFP.

## EAST ASIA AND THE PACIFIC

## SINGAPORE

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
IMET	0.010	0.020	0.020

## OBJECTIVES:

- Maintain U.S. access to Singapore ship repair and other facilities.
- Assist Singapore Armed Forces to enhance its professionalism.

## JUSTIFICATION:

Singapore is a staunch supporter of the continued presence of the United States in Asia and of our policies in the region. Its leaders have repeatedly emphasized the need for a continued U.S. military presence in the Pacific region in the aftermath of the Cold War.

Singapore's location at the crossroads of major shipping and air routes is of great importance to U.S. force readiness in the Asian-Pacific region. In November 1990, the U.S. and Singapore signed a Memorandum of Understanding which provides U.S. military aircraft and ships with access to Singapore's airfields and port facilities. In January 1992, the U.S. and Singapore reached agreement to move a small U.S. Navy logistics unit from Subic Bay to Singapore to provide essential repair and maintenance support for the U.S. Seventh Fleet. The U.S. made no reimbursement for improvements to the facilities we use in Singapore. In addition, the U.S. and Singapore hold annual joint exercises.

Our modest IMET program helps promote increased defense cooperation with the United States and reinforces our intention to remain engaged in the Asian Pacific. Singapore values the professional military training obtained under the IMET program; in return, the program allows the U.S. to maintain continued close contact with Singapore's military officers and encourage continued utilization of U.S.-manufactured weapons. Among the benefits derived from this relationship are access to Singapore's facilities and overflight rights for U.S. military assets, a valuable intelligence exchange, and purchase of U.S. defense equipment and spare parts by the Singapore Armed Forces.

## EFFECTIVENESS MEASUREMENT:

- Continued ascent of IMET graduates in the Singapore government hierarchy.
- Improved ship repair and port facility access.

## EAST ASIA AND THE PACIFIC

## SOLOMON ISLANDS

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
IMET	0.008	0.100	0.125

**OBJECTIVE:**

- Help the Solomon Islands maintain an adequate maritime security capability.

**JUSTIFICATION:**

IMET funding is used to send RSIP members to the U.S. for training to develop maritime skills, including maritime law enforcement and to train for military operations. Management courses for RSIP members also improve RSIP budgeting and logistics capabilities, fostering professional attitudes within the force.

[WHAT DOES RSIP STAND FOR?]

**EFFECTIVENESS MEASUREMENT:**

- Assignment of IMET graduates to positions which make use of their training.
- Improved maritime security procedures and enforcement.

## EAST ASIA AND THE PACIFIC

## SOUTH KOREA

## PROGRAM SUMMARY

*(DOLLARS IN MILLIONS)*

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
IMET	0.021	0.010	0.010

**OBJECTIVES:**

- Improve U.S.-ROK interoperability and assist Korea in acquiring modern conventional arms, including advanced land, air, and sea systems.
- Encourage improvements in ROK defensive skills and professionalism of its armed forces, and enhance military support for democratization.
- Encourage more balanced access in U.S.-ROK trade in the defense sector.

**JUSTIFICATION:**

The United States and Korea enjoy a close and mutually beneficial security relationship that consists of cash FMS and commercial sales of defense equipment, services, and training. These sales promote U.S.-ROK defense cooperation in industry and armament, safeguard U.S. technology transfers, enhance technical data exchanges, and contribute to the U.S.-ROK balance of trade. Korea increased its cost sharing funds for support of U.S. forces from \$150 million to \$180 million in FY 1992. In 1995, in addition to facilities and bases the Koreans provide to stationing U.S. forces, they also provide \$300 million in direct costs..

After almost one year of stalled and unsatisfactory talks with North Korea, on October 21, 1994 the United States succeeded in concluding an agreed framework to resolve the North Korea nuclear problem. Our goal is to make permanent the current freeze on North Korea's nuclear development program, help North Korea convert its nuclear power industry to light water reactors, progress in the South-North talks, and obtain North Korean agreement to full scope IAEA safeguards.

Renewed hostilities on the peninsula, however, remain the most likely threat to peace in Northeast Asia. North Korea's million-man army and quantitative advantage over the South in equipment make it well-positioned for an attack that still could come with little or no warning. The combined U.S./ROK forces defending the South use common doctrine and tactics. Selected ROK officers attend U.S. service and military management courses to maintain ROK military operational skills at a high level. As the U.S. moves to a supporting role in defense of the ROK, the ROK armed forces will require increased training in management of intelligence, efficient use of advanced technology, and large unit operations.

South Korea's relative economic success has increased its ability to share the burden of security-related costs. At the same time, however, Korea is modernizing its force structure and establishing a more modern command and control system. Procurement of U.S. weapons systems promotes interoperability and supportability, which is highly important to maintaining a credible deterrent posture on the peninsula.

IMET funding is used to pay only a small portion of the overall military school costs. The ROK pays the bulk of its direct international military training expenses, including all

*EAST ASIA AND THE PACIFIC*

transportation and personnel support costs. ROK funding indicates that it recognizes the importance of the program in training its personnel to take on increasing responsibility for its own security.

**EFFECTIVENESS MEASUREMENT:**

- Enhanced U.S.-ROK interoperability.
- Evidence of increased military support for democratization.

## EAST ASIA AND THE PACIFIC

## SOUTH PACIFIC MULTILATERAL FISHERIES TREATY

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
ESF	14.000	14.000	14.000

## OBJECTIVE:

- Enhance access of U.S. fishing vessels to Pacific ocean fishing areas.

## JUSTIFICATION:

The funding will be disbursed in FY 1996 for the first time through the U.S. Department of State instead of USAID. The Department is working with USAID to develop proper procedures for disbursement and anticipates no difficulties in ensuring timely and accurate payment.

Failure to make payments to treaty parties would result in denial of access for U.S. fishing vessels to areas they now fish. Such a failure would also set back relations with the region. The treaty has prevented conflict between the U.S. and Pacific island nations over the management of highly migratory species such as tuna, contributing to the consolidation of friendly relations with those countries.

## EFFECTIVENESS MEASUREMENT:

- Continued access of U.S. fishing vessels to Pacific fisheries.

## EAST ASIA AND THE PACIFIC

## THAILAND

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
IMET	0.895	1.000	1.600
INC	3.000	1.250	1.500

## OBJECTIVES:

- Enhance Thai commitment to counternarcotics efforts.
- Support efforts to target major kingpins, arrest traffickers and provide for improvements to Thai enforcement institutions.
- Reduce domestic planting of opium poppy and marijuana.
- Ensure the continued stability, independence and territorial integrity of Thailand.
- Support the continued professionalization of the Thai military.
- Help to institutionalize Thai democracy.
- Maintain security cooperation, especially access to Thai facilities.

## JUSTIFICATION:

Thailand is one of our closest and most important security partners in Southeast Asia. Thailand conducts the most robust joint exercise program in Asia, provides ready access to its facilities for our ships and planes, furnishes key support to our POW/MIA accounting efforts, and provided extensive cooperation to the Allied forces during the Desert Shield/Storm deployments. Thailand has consistently ranked as one of the world's ten fastest growing economies and procures much of its military equipment from the U.S.

Prime Minister Chuan and his government fully support close security cooperation with the U.S. and a healthy U.S. military education program. This type of training contributes to our ability to conduct joint operations with Thailand, Thai purchases of U.S. defense articles and services, the further professionalization of the Thai military, and, ultimately, to regional stability and economic development. Our training program is one of the few direct benefits that country receives from the U.S. for its substantial security cooperation.

Narcotics enforcement efforts in Burma, the main source of Golden Triangle heroin, virtually ended after domestic political turmoil led to the military seizing power in 1988. Thailand's superior transportation and communications infrastructures make it the route of choice for the major trafficking organizations operating in the region.

Thai opium production has decreased from perhaps 150 tons 15 years ago to approximately 40 tons today. The U.S.-funded Thai Army opium eradication program, one of the most cost-effective programs in the world, serves to speed the transition to licit crop cultivation by diminishing the likelihood of a successful opium harvest.

*EAST ASIA AND THE PACIFIC*

Because of Thailand's rapid economic development and increasing per capita income, its own counternarcotics expenditures have increased substantially over the past ten years. This permits budget reductions as Thailand funds more of its own counternarcotics responsibilities.

To implement the heroin strategy, U.S. programs in Thailand support Thai narcotics control activities in three areas:

The **Narcotics Law Enforcement Project** will provide carefully targeted equipment and assistance to police and other law enforcement units with counternarcotics functions. FY 1996 funds will support the northern Counternarcotics Task Force project, to include a Task Force Center in Bangkok.

The **Crop Control Project** funds will be reduced to a minimal level in FY 1996, reflecting a reduced budget and increased expectations of Thai responsibility to fund this program.

The **Drug Awareness and Demand Reduction Program** will help improve drug abuse prevention efforts, and seek to build public opinion and thereby political will against drug production and trafficking.

**Program Development and Support** funds will provide salaries, benefits and allowances for U.S. and foreign national personnel, TDY assistance, and general administrative and operating expenses.

**EFFECTIVENESS MEASUREMENT:**

- Increased government responsibility for crop control.
- Increased government efforts to improve institutional capabilities of the police and other law enforcement units.
- Assignment of successful IMET graduates to duties requiring recently acquired training.
- Support of the democratic system; renunciation of the "right" to coups.

## EAST ASIA AND THE PACIFIC

<b>THAILAND</b> <b>INC BUDGET</b> <b>(\$000)</b>
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	<u>FY 1994</u>	<u>FY 1995</u>	<u>FY 1996</u>
<b>Narcotics Law Enforcement</b>			
Commodities:	700	200	300
Investigative and communications equipment, vehicles			
Training	300	75	100
Other Costs:	500	100	150
Customs initiative, training and project support, drug intelligence			
Subtotal	<u>1,500</u>	<u>375</u>	<u>550</u>
<b>Crop Control</b>			
Commodities:	300	75	100
Agricultural supplies, construction materials, training and survey equipment, vehicles, eradication and communications equipment			
Other Costs:	370	100	150
Technical assistance, training, survey support, agricultural extension and marketing assistance and other project costs			
Subtotal	<u>670</u>	<u>175</u>	<u>250</u>
<b>Drug Awareness/Demand Reduct</b>	180	100	100
Prevention, education, treatment			
<b>Program Development and Support</b>			
U.S. Personnel:			
Direct-hire (2)	290	275	275
Contract, PIT (2)	60	50	50
Non-U.S. Personnel			
Direct-hire (5)(4)	110	100	100
Contract (3)	40	40	40
Other Costs:			
Foreign Affairs Administrative Support	50	45	45
Program support	100	90	90
Subtotal	<u>650</u>	<u>600</u>	<u>600</u>
<b>TOTAL</b>	<b>3,000</b>	<b>1,250</b>	<b>1,500</b>

## EAST ASIA AND THE PACIFIC

## TONGA

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
IMET	0.015	0.050	0.200

## OBJECTIVES:

- Insure that Tongan forces are sufficiently trained to further regional security and voluntary peacekeeping in the South Pacific or other areas.

## JUSTIFICATION:

Tonga has recently indicated an interest in a possible regional peacekeeping role, in concert with other Pacific island nations, to provide security on Bougainville in Papua New Guinea, scene of a five-year-old insurgency.

The IMET program will provide professional military education and management training to improve leadership within the military.

The military is one of the more conservative elements of Tongan society. U.S. leadership and management courses and basic military education programs stress civilian control, the rule of law and other values of a free society. Those will increase the likelihood that as democratic change occurs in Tonga, the military will assist in accommodating the change rather than resisting it. The proposed IMET will provide professional military training and management training focusing on military justice, respect for human rights, and issues emphasizing civilian control of the armed services.

## EFFECTIVENESS MEASUREMENTS:

- Tonga is able to provide a force in support for any possible regional peacekeeping.
- Successful IMET graduates are assigned to related military duties upon return.
- Military trainees demonstrate greater understanding and application of the principles of democratic civil-military relations.

## EAST ASIA AND THE PACIFIC

## VANUATU

## PROGRAM SUMMARY

*(DOLLARS IN MILLIONS)*

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
IMET	0.015	0.050	0.095

## OBJECTIVES:

- Maintain Vanuatu's capability to protect its oceanic resources through maritime monitoring.
- Promote the proper role of the military in a democracy.

## JUSTIFICATION:

The funding would be used to provide training via a U.S. Coast Guard mobile education team for two members from the maritime elements of the paramilitary Vanuatu Mobile Force (VMF). The training will help the VMF implement maritime security enforcement and facilitate their understating of the need for civilian control of security forces.

## EFFECTIVENESS MEASUREMENT:

- Successful IMET graduates assigned to positions which utilize training upon return.
- Enhanced civil-military relations.

## EAST ASIA AND THE PACIFIC

## WESTERN SAMOA

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
IMET	0.015	0.050	0.050

## OBJECTIVES:

- Promote civil-military relations, emphasizing the proper role of the security forces in a democracy.
- Protection of human rights in maritime operations.

## JUSTIFICATION:

Western Samoa is a parliamentary democracy but only high chiefs are allowed to run for parliamentary seats. In 1990, universal suffrage was approved, and women's issues are starting to be taken more seriously. As the country continues to develop along democratic lines, a struggling economy has held it back.

The proposed IMET program would build on successful U.S. training which has provided better and more accountable security forces and official handling of relief efforts. This training will provide: paramilitary police officers (the country has no formal military) with U.S. leadership and management training, focusing on military justice, human rights, and issues emphasizing civilian control of the armed services; and provide maritime law enforcement management training which focuses heavily on protection of civil and human rights in maritime operations.

## EFFECTIVENESS MEASUREMENT:

- Police and government trainees demonstrate an understanding of the principles of democratic civil-military relations in the discharge of their professional duties.
- Increase respect for civil and individual rights in maritime-control activities.

**EUROPE AND THE NEW INDEPENDENT STATES****OBJECTIVES:**

- Foster the emergence of competitive, market-oriented economies in which the majority of economic resources are privately owned and managed.
- Assist CE and NIS transition to transparent and accountable governance and the empowerment of citizens through democratic political processes.
- Strengthen CE and NIS capacity to manage the human dimension of the transition to democracy and a market economy.
- Make irreversible the reforms underway in Russia and the other New Independent States (NIS) that will prevent a return to the political tension and military competition of the Cold War.
- Create opportunities for a broad range of cooperative multilateral security activities.
- Build bilateral ties between the U.S. and CE/NIS militaries which will provide the U.S. with opportunities to influence positively the evolution of the restructuring defense establishments.
- Improve the compatibility of CE militaries with U.S. and NATO forces.
- Further the military preparedness of traditionally responsible European nations thereby strengthening the NATO Alliance.

**JUSTIFICATION:**

Historically, the waging of war by the United States has been directly linked to European stability. We propose therefore to promote regional peace and security throughout Europe through the provision of carefully targeted assistance funding. The majority of resources will be devoted to providing economic assistance to countries in transition to market economies and democratic political systems. We also propose providing military assistance to bolster the military capabilities of key NATO allies while expanding our security cooperation eastward through FMF and IMET programs for the countries of Central Europe and the NIS as a part of our larger objective of laying the foundation for long term security throughout Europe.

**THE NEW INDEPENDENT STATES OF THE FORMER SOVIET UNION (NIS)**

The United States seeks to make irreversible the reforms underway in Russia and the other New Independent States (NIS) that will prevent a return to the political tension and military competition of the Cold War. The passing of the Cold War means not only that resources formerly devoted to the East-West competition can be used for other endeavors, both domestic

*EUROPE AND THE NIS*

and abroad, but also that the U.S. can develop commercial relationships in the NIS that benefit both U.S. companies and workers.

It is in the U.S. interest to support NIS efforts to transform themselves into partners for the international community. Stability and prosperity are essential for the success of this transformation. History shows that broad-based prosperity is best achieved through a market economy, and that stability is best achieved through democracy. Over the long run, each is essential to the success of the other. Thus, our overall assistance effort seeks to advance democracy, free markets and regional stability.

Significant support to governments should be directed at states which embrace fundamental economic and political reforms. Resources will be concentrated in areas which are essential, i.e., without which the objectives cannot be achieved. Those include democracy-building; privatization of the economy; establishment of basic laws and regulations permitting the private sector to operate without need for subjective governmental action; establishment of clear market signals (primarily world-market pricing) which permit rational decisions, and therefore reward reduction in waste of energy and other resources; and de-monopolization of the economy.

In some cases, comprehensive economic reform will be dependent on assistance from international financial institutions, the IMF and World Bank in particular. U.S. assistance to facilitate agreements between reforming NIS nations and the IMF and World Bank can leverage both economic reform in the NIS and financial assistance from the IFIs. Where commitment to reform is limited, assistance will be primarily for programs operating outside governmental channels.

Beyond measures setting clear rules for domestic and foreign investors, adequate funds must be available to encourage and facilitate investments in the NIS by U.S. firms, particularly while the investment climate is not capable of attracting foreign investment on its own.

The overall goal of normal bilateral relations based on mutual respect requires that we move as quickly as possible through the three phases of assistance -- from humanitarian to technical to trade and investment -- and beyond to cooperation based on normal commercial relations.

The role of the military establishments in the NIS will be crucial to the success of the transition to democracy and free markets. The militaries will help build confidence in the nation-building effort by serving as defenders of independence and guarantors of internal stability. Most will also significantly contribute to the formulation of key national policies.

IMET funding for the NIS serves U.S. national security and foreign policy interests by supporting the military establishments in the NIS that respect civilian, democratic control, that engage in prudent management of defense resources and that are committed to a cooperative relationship with the U.S. and its allies.

The United States also believes that successful integration of the NIS into NATO's Partnership for Peace will be a crucial step toward creating a stable European security architecture. Assistance provided to the NIS under the President's Warsaw Initiative will help ensure their active participation in PFP activities and will signal strong U.S. interest in all partners.

*EUROPE AND THE NIS*

Support for reform in Russia and the NIS is a key U.S. foreign policy priority. Our overall assistance effort seeks to advance democracy, free markets and regional stability. The role of NIS military establishments will be crucial to the success of the transition to democracy and free markets. The militaries will help build confidence in the nation-building effort by serving as defenders of independence and guarantors of internal stability. Most will also significantly contribute to the formulation of key national policies.

Funding for IMET provided by the United States serves U.S. national security and foreign policy interests by supporting the military establishments in the NIS that respect civilian, democratic control, that engage in prudent management of defense resources and that are committed to a cooperative relationship with the U.S. and its allies.

**CENTRAL EUROPE**

Five years after the revolutions of 1989, the non-combatant states of Central Europe (CE) are still committed to the goals of Western-style democracy, market economies, and fuller integration with pan-European and Euro-Atlantic institutions. Still, these processes in Europe's youngest democracies are in the consolidation phase, and growing "reform fatigue" could pose a threat to sustained progress.

A failure of reform - and resultant instability - in the historically volatile CE would have direct repercussions for U.S. foreign policy interests. The security and stability of CE is inextricably linked with that of Europe and the trans-Atlantic region as a whole. Since many CE states border our NATO allies or the NIS, instability in CE would reverberate in other strategic regions. Already twice this century, the United States has been called on to participate in wars ignited by conflicts involving the volatile CE region. The ongoing conflict in the ex-Yugoslavia provides ample testimony to the dangers of instability in CE, especially the Balkans. . The U.S. must therefore continue the important task of providing economic assistance to help these emerging democracies through the difficult transition to market economies and democratic political systems.

NATO's historic Partnership for Peace (PFP) initiative, launched in January 1994, represents a major step forward in bolstering the security of the region and of the transatlantic community as a whole. By creating opportunities for a broad range of cooperative multilateral security activities -- including military exercises -- the PFP will spawn a stabilizing and confidence-building web of security relationships among the states of the region, including historical rivals. Already, all of the non-combatant CE states have signed up for PFP or have asked to join.

The U.S. therefore has a clear and compelling interest in using its bilateral programs to support the objectives of the PFP, as well as to foster enhanced bilateral security links with the CE states individually. Training and equipment-transfer programs will be aimed at improving the compatibility of CE militaries with U.S. and NATO forces, thereby facilitating their participation in PFP exercises and other multilateral activities (such as peacekeeping). These programs will also build bilateral ties between the U.S. and CE militaries and will provide the U.S. with opportunities to influence positively the evolution of the restructuring CE defense establishments.

*EUROPE AND THE NIS*

In order to advance our security objectives in the region, ensure the success of the PFP, and accelerate the integration of the CE states into the transatlantic community, we will need to increase substantially our bilateral assistance to these states. The FY 1996 requests for CE therefore include FMF components to facilitate CE acquisition of NATO-interoperable equipment. In addition, as announced by the President in Warsaw in July, the Administration is requesting \$100 million for bilateral programs to support the active participation of PFP partners in PFP activities.

**OTHER EUROPEAN AREAS**

The FY 1996 request proposes to further the military modernization of key responsible members of the community of nations to bolster NATO's capacity as an effective tool of regional stability in post Cold War Europe. To this effect we are proposing FMF and IMET for Greece and Turkey and IMET for Portugal. Other IMET programs seek to cement ties and cooperation between the U.S. and non-NATO members. We are also seeking funding to support narcotics control programs in selected countries.

**EFFECTIVENESS MEASUREMENT**

- Increasing share of national assets transferred from state to effective private control.
- Passage of civil laws which ensure basic rights, support privatization and economic development, and allow NGOs to work freely.
- More efficient and effective social services that are financially sustainable.
- CE and NIS militaries continue to assist in the promotion of area stability; civilian control over the military; and military support for Democratization.
- Strengthened relations between the U.S. and non-NATO members.
- PFP is strengthened, including through increased partner participation in PFP activities.
- Fulfillment of U.S. funding commitment to Turkey and Greece's military modernization program.

## EUROPE AND THE NIS

## ALBANIA

PROGRAM SUMMARY  
(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
SEED		28.540	31.000 <sup>*</sup>
IMET	0.165	0.200	0.400
FMF	0.000	0.000	4.525 <sup>†</sup>

## OBJECTIVES:

- Facilitate continued agricultural development through policy reform, creation of a land market, stimulation of agribusiness and improvements in agricultural production.
- Assist in development of a market economy through help in implementation of key structural reform measures, privatization, small business development, management training and technical training.
- Advancement of democratic institutions through citizen participation, improvement of technical and institutional parliamentary framework, and support for judicial and legal reform.
- Improve health care and other quality of life needs.
- Improve the interoperability of the Albanian defense establishment with the armed forces of the U.S. and NATO.
- Support the modernization and professionalization of Albania's armed forces.

## JUSTIFICATION:

Regional stability and the institutionalization of democracy and free enterprise are the key U.S. interests in Albania. Also important is the development of a market economy. These conditions contribute to regional stability and encourage U.S. investment. The stakes are high: Albania's large diaspora concentrated in neighboring Kosovo, the FYROM, Greece, and Montenegro presents a significant unresolved national, ethnic, and religious challenge to regional stability. Albania's long history of Stalinism and autarchy and the region's ongoing conflicts pose high hurdles to the democratic government's reform efforts. U.S. technical and material assistance is designed to support those efforts.

In response to the economic and social collapse attending the fall of communism in Albania in 1992, the U.S. sent substantial food, medical, and other emergency assistance. Principal U.S. assistance has shifted to facilitate economic restructuring and development of democratic institutions that will result in the building of economic, political, and societal well-being.

<sup>\*</sup> Albania may also receive South Balkan Development Initiative funding.

<sup>†</sup> FMF request includes \$2.525m for Partnership for Peace and \$2.0m for CE Defense Infrastructure.

*EUROPE AND THE NIS*

U.S. assistance programs in Albania have had an impact on the country's development, nowhere more apparent than in the agricultural sector. We expect to establish the Albanian-American Enterprise Fund in 1995. A complementary side of these efforts are SEED activities designed to strengthen the institutional reform needed to achieve sustainability and efficiency, requisites for a market economy and a democratic society.

Promoting increased defense cooperation between Albania and the U.S. will play a role in bolstering the stability of the volatile Balkan region. Our programs have already played, and can continue to play, a key role in shaping the evolving Albanian military to best support the civilian, democratic government-- by enhancing the professionalism and effectiveness of Albanian defense officials, training Albanians in U.S. practices, and exposing Albanians to the U.S. system of civilian oversight of the armed forces.

We will continue to train Albanian defense officials at U.S. facilities in areas such as defense planning, military doctrine, and peacekeeping in order to improve Albania's understanding of U.S. practices and to expand cooperation between our militaries, including in the areas of national guard and reserve forces. We will continue to emphasize English-language instruction for Albanian defense officials in order to facilitate multilateral military cooperation among Albanian, U.S., and NATO militaries. This emphasis is particularly important given the strong commitment by the Albanian military to train all of its officers and civilian officials in English. U.S.-trained Albanian officers have already assumed key command positions in the Albanian military.

**EFFECTIVENESS MEASUREMENT:**

- Parliament makes decisions based on independent and sound policy research.
- Local governments make operations more transparent and responsive to citizens.
- Policy, laws and regulations are made to establish markets and expand the private sector.
- Albanian participation, alongside U.S. and NATO forces, in multilateral activities employing U.S.-provided training.
- Advancement of IMET graduates to responsible positions in the Albanian armed forces, or assignment to positions which utilize their IMET training.

## EUROPE AND THE NIS

## ARMENIA

PROGRAM SUMMARY  
(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
FSA		40.713	30.000
FMF	0.000	0.000	0.000*

## OBJECTIVES:

- Strengthen Armenia's capacity to manage the human dimension of the transition to democracy and a market economy.
- Foster the emergence of a competitive, market-oriented economy in which the majority of economic resources are privately owned and managed.
- Support comprehensive economic reforms and restructuring in cooperation with other international donors, IMF and IBRD.
- Assist Armenia's transition to transparent and accountable governance and the empowerment of citizens through democratic political processes.

## JUSTIFICATION:

Armenia, currently the largest per capita recipient of U.S. aid in the NIS, has faced extreme economic hardship since independence in 1991. It has also been greatly affected by the conflict over Nagorno-Karabakh. Despite this, the Government of Armenia has taken steps to privatize agriculture and industry and has, for the most part, made progress in observing democratic principles and human rights.

The United States' highest assistance priority continues to be to reach the vulnerable population within Armenia with enough heating fuel and food to prevent extreme suffering or loss of life. We are also conducting a pilot project for a World Bank-financed fund which will create jobs at the local level by financing labor-intensive local public works projects and by promoting micro-enterprise development. In order to move from emergency to developmental assistance, USAID is supporting a number of U.S.-based private voluntary organizations (PVOs) to assist and advise vulnerable groups and to develop an NGO network.

To help develop a market economy, U.S. technical assistance efforts are focused in two critical areas of need: increasing the knowledge of key policy-makers to develop a legislative and policy framework to support a market environment; and assisting new entrepreneurs by providing them the business management tools and small amounts of start-up capital with which to conduct profitable businesses.

\* May receive FMF under the President's Warsaw Initiative, allocations for which will be finalized after further refinement of partner plans for Partnership for Peace participation.

*EUROPE AND THE NIS*

To help develop a market-oriented housing sector that can respond to housing needs in a restructured economy, USAID will assist in creating the legislation, organizations, and procedures necessary for a well-functioning private housing sector.

To help reform the energy sector, vital for economic growth, assistance has been initiated to improve coal production and increase oil production. USAID-funded teams are helping improve thermal power plant operations, increase the efficiency of district heating systems, and install energy-saving equipment in Yerevan. A U.S. energy team completed engineering work for a \$60 million European bank for Reconstruction and Development (EBRD) loan to finish construction of the Hrazdan power plant. Future U.S. assistance will emphasize improving the efficiency of large energy consumers, such as industrial plants and urban housing.

USAID assistance to promote democratic institutions will include training, exchange and long-term academic programs for journalists to encourage development of free and independent news media. A rule of law program will help Armenia combat crime and corruption and improve public administration at all levels. Limited assistance will be directed at strengthening judicial institutions and criminal justice procedures.

For greater programmatic detail of the FY 1996 FREEDOM Support Act request refer also to the USAID FY 1996 Congressional Presentation.

**EFFECTIVENESS MEASUREMENT:**

- The extent to which assistance reaches the most vulnerable, and to which NGOs are functioning to meet local needs.
- Establishment of policies, enactment of legislation and development of regulatory procedures necessary to break up monopolies, establish markets, and expand the private sector.
- Increased number of private businesses of all sizes.
- Decreased government budget deficit.
- Promulgation of energy standards, policies, and legislation that support subsector restructuring and commercial market development of energy efficiency and related environmental technologies and services.
- Increased percentage of total volume of electricity and heating produced and distributed by privatized sources.
- Improved energy efficiency at local firms assisted or influenced by USAID activities and replicated elsewhere.
- A constitutional and legal framework and judicial process which provide for more secure individual rights.

*EUROPE AND THE NIS*

- Improved management and delivery of services at the municipal level which is more cost effective and responsive to local needs and desires.
- Multiple private media outlets functioning free of government control.

## EUROPE AND THE NIS

## AUSTRIA

**PROGRAM SUMMARY**  
(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
IMET	0.010	0.015	0.015

**OBJECTIVES:**

- Provide a limited number of Austrian officers and NCOs specialized military technical and management training unavailable in Austria.
- Familiarize Austrian trainees with U.S. military equipment and technology.
- Enhance the effectiveness of Austria's contributions to U.N. peacekeeping operations.

**JUSTIFICATION:**

In providing training unavailable in Austria, this program serves American interests by enhancing the participants' understanding of U.S. policy and fostering personal contacts among the Austrian, U.S. and NATO armed services. By exposing Austrians to U.S. military equipment and technology this program lays the groundwork for potential military sales to Austria.

These training opportunities may also enhance the effectiveness of Austria's contributions to U.N. peacekeeping operations. It is in the U.S. interest to encourage participation in peacekeeping forces by countries such as Austria that have a record of support for these efforts.

**EFFECTIVENESS MEASUREMENT:**

- IMET graduates are assigned to a position that utilizes their U.S. training.

## AZERBAIJAN

PROGRAM SUMMARY  
(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
FSA		9.973	9.000
FMF	0.000	0.000	0.000*

## OBJECTIVES:

- Strengthen Azerbaijan's capacity to manage the human dimension of the transition to democracy and a market economy, and help sustain the neediest sectors of the population during the transition period.
- Foster the emergence of a competitive, market-oriented economy in which the majority of economic resources are privately owned and managed.
- Assist Azerbaijan's transition to transparent and accountable governance and the empowerment of citizens through democratic political processes.

## JUSTIFICATION:

Azerbaijan, with its oil and natural gas reserves, has the richest resource base of any of the Caucasus countries. However, despite its rich potential, the Azerbaijan economy has declined almost as much as those of its Caucasus neighbors. The seven year-old Nagorno-Karabakh conflict has displaced almost one million people in Azerbaijan -- one-seventh of the population. It is in the U.S. interest to help find a peaceful resolution to the conflict, encourage political and economic reform, and support U.S.-Azerbaijani commercial ties. Our humanitarian efforts are limited to direct aid through private and voluntary organizations (PVOs) due to legislative restrictions on government-to-government aid (Section 907 of the FREEDOM Support Act). While Section 907 has hindered USG efforts to encourage political and economic reform within the Azerbaijani government, we have been able to implement small programs on a grass-roots level.

Through grants to U.S. PVOs and international organizations, USAID provides food, medicine, and emergency shelter to refugees and displaced persons. USAID will continue to support programs that give the beneficiaries skills they can use when they are able to return to their homes, such as the International Rescue Committee's proposed project to teach displaced persons how to build low-cost housing from local materials. USAID will continue to provide emergency medicines and medical supplies to address the severe lack of medical care for refugees and displaced persons. USAID will continue to provide food aid to vulnerable populations in Azerbaijan through U.S. PVOs.

\* May receive FMF under the President's Warsaw Initiative, allocations for which will be finalized after further refinement of partner plans for Partnership for Peace participation.

*EUROPE AND THE NIS*

USAID's activities in the democracy-building area are limited to the provision of training opportunities for private citizens and NGO leaders involved in democracy building.

Because of Section 907 restrictions, USAID's training and exchange program to foster a market economy will be limited to two groups in the private sector -- private farmers and agribusiness entrepreneurs and small-scale entrepreneurs, business people and bankers. In addition, training opportunities will be offered to faculty and administrators of private universities which will focus on curriculum development in areas of economics, business administration, health care and English-language training. The Farmer-to-Farmer program has been initiated emphasizing high-value crops and processing.

For greater programmatic detail of the FY 1996 FREEDOM Support Act request refer also to the USAID FY 1996 Congressional Presentation.

**EFFECTIVENESS MEASUREMENT:**

- Humanitarian assistance is appropriately targeted and reaches the beneficiary in a timely manner.
- Individuals trained are able to use their newly acquired skills to carry out tasks of their organizations.
- Development of private media and press freedom.
- Select private citizens are better equipped to manage the transition to a market economy through technical skills training.
- The number of private enterprises and businesses increases.

## EUROPE AND THE NIS

**BALTIC PEACEKEEPING BATTALION****PROGRAM DESCRIPTION AND BUDGET REQUEST:**

DESCRIPTION: Build upon the successful multilateral effort in FY 1995 to develop a highly professional multinational peacekeeping unit deployable to UN and other international peacekeeping operations. Provide additional NATO-compatible peacekeeping-related equipment and training for the battalion to bring it up to professional standards. (\$5 million)

**PROGRAM SUMMARY***(DOLLARS IN MILLIONS)*

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
FMF	0.000	0.000	5.000

**OBJECTIVES:**

To promote peace, both globally and in the potentially volatile Baltic region, by assisting the Baltic states in playing a larger, more effective role in international peacekeeping activities. The specific objectives are:

- Advance the goals of the Partnership for Peace (PPF), a key dimension of which is promotion of peacekeeping activities.
- Promote regional cooperation by encouraging regional peacekeeping efforts.
- Improve the interoperability of the fledgling Baltic defense forces with U.S. and NATO armed forces.

**JUSTIFICATION:**

In FY 1995, the U.S. participated actively in a multilateral donor effort, including the Nordic states, Germany, and the UK, to assist the three Baltic states in the formation of a joint, dedicated peacekeeping battalion deployable to multinational peacekeeping operations. This initiative by the Baltic states marks the first example of voluntary cooperative peacekeeping in the region.

The initial U.S. contribution to the effort included NATO-compatible communications gear, uniforms and personal gear, and excess vehicles. Other donors provided language and peacekeeping training, ammunition, and other miscellaneous equipment. These contributions enabled the Battalion to begin training at the Adazi facility in Latvia in January 1995.

While much progress has been made, and the most urgent equipment needs met, this initiative requires additional infusions of sustainment funding in FY 1996 to ensure that the unit is brought up to fully professional standards. For example, the unit still lacks basic peacekeeping equipment, such as mine detectors, binoculars, night vision equipment, and standardized NATO-compatible defensive weaponry. This program would assist the BALTBAT in acquiring

*EUROPE AND THE NIS*

such equipment from the U.S., ensuring its effective deployment and enhancing its ability to participate in PFP activities. In tandem with our own efforts, other donors will continue to provide training and other equipment needs.

**EFFECTIVENESS MEASUREMENT:**

- BALTBAT participation, alongside U.S. and NATO forces, in PFP peacekeeping exercises.
- Deployment of BALTBAT to multinational peacekeeping operation(s).

## EUROPE AND THE NIS

## BELARUS

PROGRAM SUMMARY  
(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
FSA		5.250	19.000
FMF	0.000	0.000	0.000*
IMET	0.100	0.100	0.275

## OBJECTIVES:

- Foster the emergence of a competitive, market-oriented economy in which the majority of economic resources are privately owned and managed.
- Support comprehensive economic reform and restructuring in cooperation with other international donors, the IMF and IBRD.
- Assist Belarus' transition to transparent and accountable governance and the empowerment of citizens through democratic political processes.
- Strengthen Belarus' capacity to manage the human dimension of the transition to democracy and a market economy and to sustain the neediest sectors of the population during the transition period.
- Foster the integration of political, military and economic principles that support democratic, constitutional values into the Belarus defense infrastructure.
- Promote a stable and cooperative military relationship between the U.S. and Belarus.
- Assist in development of safe and reliable air space management and air/flight safety capability.

## JUSTIFICATION:

The United States has an interest in promoting a democratic Belarus with a market-oriented economy and a military under civilian control, fully integrated into the wider community of nations. Situated between Poland and Russia, the Baltics and Ukraine, Belarus historically has been at a key crossroads in Europe. Since independence in 1992, it has been an important center of stability in Central Europe and a leader in denuclearization. Having ratified early the nuclear nonproliferation treaty, Belarus expects to complete the withdrawal of all Russian strategic nuclear rockets by 1996, years before the deadline imposed by the START Treaty. Belarus elected its first president in a democratic ballot in 1994, the same year it adopted a new constitution. In 1994, Belarus also began to take the first serious steps toward economic

\* May receive FMF under the President's Warsaw Initiative, allocations for which will be finalized after further refinement of partner plans for Partnership for Peace participation.

*EUROPE AND THE NIS*

reform. Continued U.S. assistance and engagement in Belarus will be vital to advancing these encouraging developments.

To assist in the development of a market-economy, USAID is supporting pilot privatization auctions in several cities. The West NIS Enterprise Fund is reviewing proposals for possible equity investments in private Belarusian firms. The Farmer-to-Farmer program assists in the privatization of selected collective farms and promotes private farming and efficient farm management.

If Belarus maintains a serious commitment to comprehensive economic stabilization and restructuring, the United States may provide funds for support of structural reform. This support would likely take the form of commodities, commodity transport, and trade or investment credits as Belarus comes to terms with the International Monetary Fund or the World Bank on structural adjustment loans.

The USAID-supported rule of law program consists of judicial training, continuing legal education, and assistance in legal drafting related to commercial and criminal law. Other USAID democracy efforts include election support and monitoring, training of journalists and development of independent media, and support of indigenous nongovernmental organizations (NGOs).

IMET will support the establishment and maintenance of a Belarus military supportive of Belarus' democratic and economic transition and committed to a durable pattern of cooperation with the West. The proposed FY 1996 IMET program for Belarus will offer professional military education for military officers, defense resources management training, English language instructor training, and training in air space management and air flight safety.

For greater programmatic detail of the FY 1996 FREEDOM Support Act request refer also to the USAID FY 1996 Congressional Presentation.

**EFFECTIVENESS MEASUREMENT:**

- Increased number of private sector businesses and farms.
- Free elections at local and national levels with viable, independent political parties.
- NGOs attract wide-spread participation, evidenced by numbers of people taking part in NGO activities, diversity of issues being lobbied for, and range of contributions.
- Improved efficiency, quality and access to health care services.
- Pollution management problems resolved through regional cooperation.
- IMET participants reintegrated into the defense infrastructure in positions where the training provided may be applied.

## EUROPE AND THE NIS

## BOSNIA-HERZEGOVINA

PROGRAM SUMMARY  
(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
SEED		25.403	80.640
IMET	0.000	0.070	0.200

## OBJECTIVES:

- Support indigenous governmental and non-governmental structures assisting the victims of trauma suffered during the war, and provide a limited quantity of critical humanitarian goods.
- Reinforce the Bosnian Muslim-Croat Federation in central Bosnia and Sarajevo via programs combining intercommunal cooperation, Federation linkages, and resolution of selected constraints on rehabilitation.
- Stimulate the international community and make a direct U.S. contribution to reconstruction in war-torn Bosnia-Herzegovina.
- Bolster the Bosnian Federation by promoting contacts and cooperation between the U.S. and Bosnian defense establishments.
- Advance an understanding of U.S. defense doctrine and practices for Bosnian defense officials.

## JUSTIFICATION:

While the Bosnia conflict does not pose an immediate threat to our security which would warrant unilateral U.S. involvement, the aggression which has driven it and which violates the fundamental values of a much broader theater give the U.S. a clear and compelling interest in taking steps to restore and preserve stability in the volatile Balkan region. After three years of warfare focused predominantly on civilians and their homes, the dislocation of people, destruction of housing, cessation of economic activity, reliance on relief for survival, and deep-seated hostility set a challenging stage for the rebuilding of an interethnic community and a viable Bosnia-Herzegovina capable of participating in the broader community of free nations. Humanitarian programs are aimed at both relieving suffering and building indigenous capacity to cope with the aftermath of war.

Federation-building is intended to reinforce the best prospect for containing conflict and rebuilding society. In that context, municipal rehabilitation activities will put flesh in the form of resources on the bones of the nascent Federation structure, while fostering intercommunal decision-making and problem-solving. Small lending programs will enable eager entrepreneurs to jump-start the desired market economy, providing goods, employment and self-reliance.

\* FY 96 SEED request includes \$60 million for reconstruction.

*EUROPE AND THE NIS*

And public administration support will foster democratic governance at all levels, with emphasis on regional and municipal.

Reconstruction in B-H is intended to stimulate and leverage international support, including at the bilateral, regional and IFI levels, for what will prove to be a massive need. Since the conditions for meaningful reconstruction are directly linked to the success of the Federation and the relative peace it provides in central Bosnia, support for reconstruction also constitutes support for the Federation.

By establishing defense links with Bosnia – such as through the IMET program described here – we can play a key role in shaping the character of Bosnian military institutions in their formative stages and in encouraging those institutions to pursue stability-enhancing objectives. Training programs will also foster enhanced cooperation within the Federation military.

This program would emphasize English-language instruction for Bosnian civilian and military officials as a bridge-building tool between our defense establishments. Another component would promote better understanding of U.S. defense doctrine and practices and of the U.S. model of civilian oversight of the military in order to imbue Bosnian officials with an appreciation for the proper role of the armed forces in a civil democratic society.

**EFFECTIVENESS MEASUREMENT:**

- Relief of humanitarian constraints; operational support structures for victims of trauma.
- Evidence of increased Federation role and interethnic cooperation; success of private enterprises.
- Flow of resources for reconstruction from new sources; initiation of actual reconstruction activities.
- Promotion of IMET graduates to senior military or defense ministry positions.
- Eventual establishment of an English language laboratory.

## BULGARIA

PROGRAM SUMMARY  
(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
SEED		29.338	42.030
FMF	0.000	0.000	7.275 <sup>†</sup>
IMET	0.300	0.400	0.700

## OBJECTIVES:

- Build public participation in the governmental process at the local level through civic, trade union and non-governmental organizations in a long-term effort to strengthen local government and facilitate decentralization.
- Develop private enterprise and free markets by promoting small and medium-scale private business development through loan and investment programs, municipal privatization and a business program of training plus financial and technical assistance, all reinforced when possible by an enabling legal environment for private sector growth.
- Establish a long-term vehicle for leadership development through several training programs and through support to the only American university in Central Europe.
- Improve the quality of life by supporting comprehensive environmental policies, a more efficient energy sector, and development of pilot safety net programs.
- Improve the interoperability of the Bulgarian defense establishment with the armed forces of the U.S. and NATO.
- Support the professionalization of Bulgaria's armed forces and foster respect for civilian control of military.

## JUSTIFICATION:

Bulgaria's first steps in the transition to democracy and a free market economy were impressive. The reform process, however, has slowed. Nevertheless, at the local level, many take the initiative to work for democratic, market-oriented goals. The assistance program in Bulgaria helps to encourage decentralization by building public participation at the local level through civic, trade union, and non-governmental organizations and to strengthen local government. Assistance also facilitates small and medium-size business development; municipal privatization efforts; and an integrated program of training, financial and technical assistance to private enterprises. Assistance also targets improvement of the legal and regulatory environment.

\* Bulgaria may also receive South Balkan Development Initiative funding.

† FMF request includes \$4.275m for Partnership for Peace and \$3.0m for CE Defense Infrastructure.

*EUROPE AND THE NIS*

The Bulgarian-American Enterprise Fund was established to promote the development of free enterprise, entrepreneurship and market-based lending activities by pursuing potential investments in food, agribusiness, electronics and tourism. The Fund also provides support to Bulgaria's small business sector.

Increased U.S.-Bulgarian defense cooperation will contribute to the stability of the volatile Balkan region. Our programs have already played, and can continue to play, a key role in shaping the newly democratic and evolving Bulgarian military – by enhancing the professionalism of Bulgarian defense officials, training Bulgarians in U.S. practices, and exposing Bulgarians to the U.S. system of civilian oversight of the armed forces.

Through this program, Bulgarian defense officials will train at U.S. facilities in areas such as defense planning, military doctrine, and peacekeeping. We will continue to emphasize English-language instruction for Bulgarian defense officials in order to facilitate multilateral military cooperation among Bulgarian, U.S., and NATO militaries.

**EFFECTIVENESS MEASUREMENT:**

- Strengthened management ability at the local level coupled with growing authority for local mayors and councils.
- Enactment of legislation and development of regulatory procedures necessary to establish markets, expand the private sector and strengthen competitiveness in key economic sectors.
- Improved efficiency, better regulations, and improved transparency of financial markets.
- Bulgarian participation, alongside U.S. and NATO forces, in multilateral activities employing U.S.-provided training.
- Promotion of IMET graduates to senior military or defense ministry positions, and appointment to significant command units.

## EUROPE AND THE NIS

## CENTRAL EUROPEAN DEFENSE INFRASTRUCTURE

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
FMF	0.000	0.000	20.000

## OBJECTIVES:

- Assist the reorientation of the former Warsaw Pact militaries to peaceful, non-offensive roles.
- Promote peace and stability, both globally and in CE, by assisting these newly democratic states in acquiring new and used U.S.-origin, NATO-compatible systems.
- Aid CE militaries in overcoming deeper military infrastructural deficiencies and NATO compatibility problems. Enhance the compatibility of CE's defense infrastructure with NATO, a general goal of the Partnership for Peace (PFP).
- Encourage the CE states to assume greater peacekeeping responsibilities in the post-Cold War world.
- Improve stability-enhancing defensive and deterrent capabilities.

## JUSTIFICATION:

In the interest of contributing to the stability of the European continent -- especially the historically volatile CE region -- the United States has a clear and compelling interest in nurturing expanded defense cooperation with the newly democratic CE states. Through this program, we can contribute to regional stability by supporting concretely the ongoing military reform efforts of the democratic CE governments. Specifically, we can support, primarily via equipment transfers, the reorientation of CE militaries to defensive postures, regional cooperation based on uniform standards of equipment (e.g., radar, transponders, radios), and expanded military cooperation with NATO forces both bilaterally and through the PFP.

This program is separate and distinct from our proposed assistance to PFP partners under the \$100 million "Warsaw Initiative" program. That program encompasses all PFP partners, including the NIS states. Furthermore, assistance provided under that program will be for the purpose of immediately facilitating Partner participation in PFP activities (e.g., C<sup>3</sup>I for specialized units likely to participate in PFP activities, communications links with NATO headquarters, NATO familiarization training, exercise support, etc.). The present program, by contrast, will address deeper infrastructure deficiencies which may or may not immediately facilitate greater PFP participation, but which serves the broader goal of improved compatibility with NATO. This program will also focus specifically on supporting the efforts of CE states to develop dedicated peacekeeping units, including such units which may never participate directly in PFP activities.

*EUROPE AND THE NIS***Defense Infrastructure**

Burdened by Soviet-trained and -equipped militaries and austere defense budgets, the CE states face manifold obstacles to closer integration with NATO. Through this program, we will support discrete, high priority projects in areas where NATO compatibility is deficient (e.g., radar, IFF, communications, transportation, etc.). Where possible, funding will be used to support transfers of NATO-compatible excess defense articles (EDA). Assistance provided under this program will focus especially on enhancing defensive capabilities of CE militaries -- in order to assist their ongoing re-orientation to defensive postures, help them rationalize their defense planning, and allow them to deter potential aggressors within or without the region.

**Peacekeeping**

Virtually all the non-combatant CE states already maintain, or are in the process of developing, dedicated peacekeeping units deployable to multinational peacekeeping operations. These units lack, however, basic NATO-compatible equipment, including communications, personal gear, and transportation, thereby limiting their ability to participate effectively alongside U.S. or NATO units in international peacekeeping operations.

It is clearly in the U.S. interest to support CE peacekeeping efforts through training and equipment transfers. In addition to advancing the objectives of PFP, U.S. support for improved CE peacekeeping capabilities will:

- Improve interoperability and practical political-military cooperation with NATO.
- Help channel the CE states' defense efforts toward maintaining forces adequate for their own security, consistent with their resources, and capable of operating with the forces of NATO member states and others in multinational peacekeeping missions.
- Reduce the need for U.S. peacekeeping deployments in Europe and around the world.
- Create a larger pool of professional peacekeepers available for international deployment.

**COUNTRY PROGRAMS**

**Albania (\$2 million):** Address a variety of high-priority infrastructure needs, including NATO-compatible airfield navigational aids, information upgrades for the Defense Ministry, and training and communications, personal gear, and transportation equipment for the Albanian peacekeeping company.

**Bulgaria (\$3 million):** Support the Defense Ministry's center for training military personnel; assist in transfer of EDA transportation and medical equipment; provide command/ control and transportation equipment for light infantry peacekeeping battalion.

**Czech Republic (\$3 million):** Support Czech acquisition of IFF transponders and interrogators, ground-based radar upgrades; provide communications equipment for aircraft and dedicated peacekeeping battalion.

*EUROPE AND THE NIS*

**Hungary (\$4 million):** Facilitate Hungarian acquisition of new or excess air defense radars, navigational aids, and anti-tank systems; provide communications gear, vehicles, and personal equipment to already-established dedicated peacekeeping unit.

**Poland (\$2 million):** Support Polish acquisition of air defense systems, defensive weaponry, IFF transponders, and ground-based radars; provide communications gear and/or components for Polish peacekeeping battalion.

**Romania (\$4 million):** Support Romanian acquisition of NATO-compatible air defense and other defensive systems; provide communications gear, vehicles, and personal equipment to dedicated peacekeeping unit.

**Slovakia (\$2 million):** Assist Slovakia in acquiring NATO-compatible navigational and air defense systems; provide communications gear for eventual peacekeeping unit.

**EFFECTIVENESS MEASUREMENT:**

- CE acquisition of U.S. equipment that advances their long-term goal of NATO interoperability.
- Deployment of CE peacekeeping units to international peacekeeping operation(s).

## EUROPE AND THE NIS

## CENTRAL EUROPE REGIONAL PROGRAMS

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
SEED		44.246	53.166

## OBJECTIVES:

- Foster privatization of state-owned enterprises and support the growth of small and medium sized businesses.
- Helping to build democratic attitudes and institutions by strengthening NGOs, supporting independent media, and building the administrative capacity of local government.
- Improve the quality of life by helping to restructure social services and supporting environmental improvement.

## JUSTIFICATION:

The SEED program began as a regional initiative to give our assistance maximum flexibility to start activities quickly in different countries as opportunities arose in a fast changing situation. As time has passed, we have developed assistance strategies for each country and are increasingly designing programs on a country-by-country basis. However, we continue to fund regional activities that are supportive of more than one country, such as: environmental program that address cross-border problems; financial sector advisors who provide assistance to several countries; and regional conferences and courses.

In addition, we set aside "performance funds" within certain priority sectors to increase funding for projects that are implemented more rapidly than expected or as new opportunities arise. There are also certain programs that are still in the design stages where country levels have not been decided.

In FY 96, SEED regional assistance includes:

- Helping to speed economic reform through privatization of state-owned companies, assistance to nascent small and medium-sized private businesses and funding for the Enterprise Funds (\$23.0 million);
- Strengthening efforts of local government to improve administration, the environment, and social services; building the ability of indigenous NGOs to promote a democratic society; promoting an independent media by providing technical support and training (\$19.2 million); and

*EUROPE AND THE NIS*

- Improving quality of life through efforts in labor market transition, environmental restoration, energy efficiency, and reform of the social service system (\$10.9 million).

For greater programmatic detail of the FY 96 regional SEED request, refer to the USAID FY 96 Congressional Presentation.

**EFFECTIVENESS MEASUREMENT:**

- Continued growth of private sector share of GDP.
- Greater democratic participation in the governing process.
- Expansion in number and improvement in quality and independence of the non-governmental media sources.
- Rationalization and improvement of social services.

## CROATIA

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
SEED		14.603	13.210
IMET	0.000	0.065	0.200

## OBJECTIVES:

- Foster the emergence of a competitive, market-oriented economy in which most economic resources are privately owned and managed.
- Support the transition to transparent and accountable governance and the empowerment of citizens through democratic political processes.
- Mitigate the near-term negative impact of the war in Bosnia-Herzegovina and strengthen the capacity to manage the human dimension of the transition to democracy and a market economy, and help sustain the neediest sectors of the population during this transition period.
- Build contacts and cooperation between the U.S. and Croatian defense establishments.
- Enhance Croatian defense officials' understanding of U.S. defense doctrine and practices.

## JUSTIFICATION:

Croatia is struggling to establish a democratic government and a market economy with three burdens – the legacy of Yugoslav communism, the control of over one-fourth of the country by secessionist Serbs, the presence of nearly 400,000 refugees from Bosnia and Croatia. Nevertheless, it has conducted reasonably fair and free multiparty elections for president and legislature and has stabilized its currency and economy sufficiently to win IMF backing. Another important part of the Croatian experiment has been Zagreb's crucial assistance in ending the fighting between Croats and Muslims in neighboring Bosnia and in supporting the federation between the two groups. Similarly, Croatia has followed a path of trying to regain its territory by peaceful means, and, at least until recently, cooperated with the UN Protection Force operating to help bring peace and stability to the region.

Following the outbreak of war in 1991 in Croatia, most U.S. assistance has been humanitarian, targeted for Bosnian refugees and Croatian displaced persons. By supporting private and public Croatian institutions assisting these refugees, such as hospitals, schools, and voluntary organizations, the assistance has fostered the development of democratic institutional systems in Croatia.

In 1992, the U.S. established diplomatic ties with Croatia as most hostilities ceased. A modest SEED program (\$1 million for 1993) for democracy building began. In addition, SEED

*EUROPE AND THE NIS*

provided an additional \$3 million for trauma-related assistance for war victims. In FY 1994, the funding level grew to \$2.8 million for democratic initiatives and training. An additional \$12.6 million funded humanitarian and trauma assistance, including emergency repairs, micro-enterprise activities, NGO development, and conflict resolution activities. FY 1995 SEED money will provide modest technical assistance for the banking and financial sector.

Because Croatia is a key to stability in the Balkans, we have a clear and compelling interest in encouraging it to play a responsible role in the region -- especially vis-à-vis its security policies and the development of its military. A modest military education program would encourage Croatia to continue to seek closer integration with Western security structures, provide an incentive for a deepened bilateral security relationship, and promote our general objective of fostering stability in the region. Specifically, we would emphasize English-language instruction for Croatian civilian and military defense officials as a bridge-building tool between our defense establishments. IMET programs would also imbue Croatian officials with an appreciation for the proper role of the armed forces in a civil democratic society.

**EFFECTIVENESS MEASUREMENT:**

- Increased numbers of licensed private sector businesses (of all sizes) and of licensed viable private commercial banks.
- Development and institution of local government procedures that make their operations more transparent and increase citizen involvement.
- Indigenous NGO relief operations are in place and providing humanitarian assistance.
- Promotion of IMET graduates to senior military or defense ministry positions.
- Establishment of an English language laboratory in Croatia.

## EUROPE AND THE NIS

## CYPRUS

**PROGRAM SUMMARY**  
(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
ESF	15.000	15.000	15.000

**OBJECTIVES:**

- Enhance the prospects for a negotiated settlement to the division of Cyprus through bi-communal activities.
- Allow Greek Cypriots and Turkish Cypriots to work together in projects in the area of urban planning, health, and conservation.
- Provide scholarships for students from both communities.

**JUSTIFICATION:**

Allowing the two communities to work together will play a key role in bringing about the end of the division of Cyprus.

**EFFECTIVENESS MEASUREMENT:**

- Successful implementation of the bi-communal programs.
- On-going contact between individuals of the two communities after the completion of specific programs.

## CZECH REPUBLIC

PROGRAM SUMMARY  
(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
SEED		13.811	7.460
FMF	0.000	0.000	11.900*
IMET	0.500	0.500	0.700

## OBJECTIVES:

- Support continued expansion of the private sector.
- Strengthen the financial sector.
- Strengthen administrative and financial capabilities of local authorities.
- Assist democratic institutions at the grass roots level by strengthening NGOs, supporting legal and judicial reforms, and training independent and professional media.
- Improve the interoperability of the Czech defense establishment with the armed forces of the U.S. and NATO.
- Support the professionalization of the Czech Republic's armed forces.

## JUSTIFICATION:

The Czech Republic continues its rapid evolution as an important political, trade and security partner of the United States. Since 1990, the Czech economy has shifted from 98% public to over 80% private ownership, while vigorous economic reforms have produced solid growth and remarkably low unemployment. A prosperous and secure Europe is vital to the political and economic interests of the United States and the Czech Republic has demonstrated its determination to become an integral member not only of Europe but of the Transatlantic community.

Assuming that economic and institutional reforms continue at their present pace, the U.S. Government believes SEED assistance for the Czech Republic can be phased out over the 1995-1997 period. U.S. assistance has been instrumental in the rapid privatization of the Czech economy, but much of the difficult enterprise restructuring must still be done. In addition, public and private institutions that are the fabric of society in democratic market economies remain fragile and require our continued support.

In FY 96, SEED assistance to the Czech Republic emphasizes:

- \* developing workable systems to finish privatizing state enterprises, improving banking and financial services and training business managers (\$3.4 million);

\* FMF request includes \$8.9m for Partnership for Peace and \$3.0m for CE Defense Infrastructure.

*EUROPE AND THE NIS*

- improving the quality of life through increased energy efficiency, improved delivery of health services and housing privatization (\$3.0);
- strengthening democratic institutions by helping reform the legal, regulatory, institutional, and administrative structures (\$1.1 million).

For greater programmatic detail of the FY 96 SEED request, refer to the USAID FY 96 Congressional Presentation.

The Czech Republic, although facing a major military downsizing and restructuring, is intent on adopting U.S. and Western models of defense organization to facilitate its cooperation with U.S. and NATO forces through the PFP. The U.S. and the Czech Republic already enjoy a robust and expanding bilateral security relationship, including training programs.

Our programs will continue to play a key role in shaping an evolving Czech military -- by enhancing the professionalism of Czech defense officials, training Czechs in U.S. practices, and exposing Czechs to the U.S. system of civilian oversight of the armed forces. We will continue to train Czech defense officials at U.S. facilities in areas such as defense planning, military doctrine, and peacekeeping. We will also continue to emphasize English-language instruction for Czech defense officials in order to facilitate multilateral military cooperation among Czech, U.S., and NATO militaries.

**EFFECTIVENESS MEASUREMENT:**

- Continued growth of the private sector.
- Stronger financial intermediaries.
- Improved efficiency of national and municipal authorities.
- Continued improvement in commercial law and regulation.
- Czech participation, alongside U.S. and NATO forces, in activities employing U.S.-provided training.
- Promotion of IMET graduates to senior military or defense ministry positions.

## EUROPE AND THE NIS

## ESTONIA

PROGRAM SUMMARY  
(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
SEED		1.752	0.000
FMF	0.000	0.000	2.916*
IMET	0.152	0.200	0.385

## OBJECTIVES:

- Foster the emergence of a competitive, market-oriented economy in which the majority of economic resources are privately owned and managed.
- Support the transition to transparent and accountable governance and the empowerment of citizens through democratic political processes.
- Improve the interoperability of the Estonian defense establishment with the armed forces of the U.S. and NATO.
- Promote the professionalism of Estonia's fledgling armed forces.

## JUSTIFICATION:

Estonia has made considerable progress implementing its reform programs. Estonia has established a vibrant democratic government, has joined the United Nations, the Organization for Security and Cooperation in Europe, the Partnership for Peace, and has concluded a Europe agreement with the European Union. Estonia's economy is gradually transforming from large, state-owned industrial complexes into market-driven businesses. Estonia's legal structure reform, particularly the new value added tax and national budget reform acts, is substantially complete. Environmental legislation has strengthened the Estonian's ability to correct decades of pollution.

In light of Estonia's successful reform efforts and the considerable European donor assistance available to meet the requirements of sustainable development, the U.S. assistance program is being restructured. The U.S. will gradually phase-out new obligations for assistance to Estonia by September 1996. Until the phase-out is complete, the SEED program will focus on the Estonian Government's highest priorities. These include assistance to (1) privatize state-owned enterprises; (2) promote U.S. and other foreign capital investments and help expand trade with the West; (3) reform the health sector and enhance hospitals' modern medical techniques; (4) promote environmental initiatives to reduce health risks and stem environmental degradation; and (5) strengthen municipal governance and improve managerial, operational, and fiscal systems of local and national governments.

\* FMF request includes \$1.25m for Partnership for Peace and \$1.667m for Baltic Peacekeeping Battalion.

*EUROPE AND THE NIS*

In FY 1995, resources will be allocated to anti-crime and corruption programs, public administration, advice to small business, non-governmental organization development, and environmental programs. The work of the USAID advisory team on privatization will continue. The Baltic-American Enterprise Fund (BAEF) and associated activities will extend beyond the phase-out date.

Increased defense cooperation between Estonia and the U.S. will demonstrate U.S. commitment to Estonian sovereignty, bolster the stability of the Baltic region, and advance the objectives of PFP. Our programs have already played, and can continue to play, a key role in shaping the fledgling Estonian military -- by enhancing the professionalism of Estonian defense officials, training Estonians in U.S. practices, and exposing Estonians to the U.S. system of civilian oversight of the armed forces.

We will continue to train Estonian defense officials at U.S. facilities in areas such as defense planning, military doctrine, peacekeeping, and financial accountability. We also will continue to emphasize English-language instruction for Estonian defense officials (which Estonia has identified as a high priority) in order to facilitate multilateral military cooperation among Estonian, U.S., and other militaries.

**EFFECTIVENESS MEASUREMENT:**

- Increased number of private citizens owning securities of private companies.
- Establishment of well-functioning, efficiently regulated, transparent and open financial markets.
- Local and regional government roles and responsibilities clarified and better executed.
- Firmly establish the framework for an independent judicial system.
- Estonian participation, alongside U.S. and NATO forces, in multilateral activities employing U.S.-provided training.
- Promotion to senior military or defense ministry positions of graduates of U.S. IMET programs.

## EUROPE AND THE NIS

## EUROPE PEACEKEEPING

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

DESCRIPTION: Assist, in conjunction with other contributors, in efforts to deploy Central European peacekeeping units to multinational peacekeeping operations.

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
PKO	0.000	3.710	25.000

## OBJECTIVES:

- Reduce the need for U.S. deployments to international peacekeeping operations in Europe and around the globe.
- Promote regional cooperation by encouraging regional peacekeeping efforts.
- Encourage the CE states working with NATO to assume greater peacekeeping responsibilities in the post-Cold War world.

## JUSTIFICATION:

Over the past several years, the new CE democracies, eager to integrate themselves ever more fully into the international community, have taken increasingly active roles in international peacekeeping. Almost all the non-combatant CE states already maintain, or are in the process of developing, dedicated peacekeeping units. Several CE states have already had to limit their deployments, however, because of inadequate resources.

The United States has a clear and compelling interest in supporting and reinforcing this trend, which is consistent with and supportive of the objectives of PFP. In its invitation extended to prospective PFP partners, the Alliance pledged that it will "work in concrete ways towards ...creating an ability (among PFP partners) to operate with NATO forces in such fields as peacekeeping..."

By helping to deploy CE units to peacekeeping operations, the U.S. can play a key role in supporting CE peacekeeping efforts. Support of this kind provides the flexibility to support conflict resolution, multilateral peace operations, and similar efforts in Europe outside the context of formal assessed UN peacekeeping operations. These voluntary operations take advantage of regional institutions to promote stability and security and can result in more effective operations, usually at lower cost to the U.S..

Such U.S. support would not only provide an incentive for CE countries to maintain or create dedicated peacekeeping units, but would also improve interoperability and practical political-military cooperation with NATO. It would help channel the CE states' defense efforts toward

*EUROPE AND THE NIS*

maintaining forces adequate for their own security, consistent with their resources, and capable of operating with the forces of NATO member states and others in multinational peacekeeping missions. Experienced CE peacekeeping units will also serve as "transmission belts" of NATO military practices into the broader CE armed forces. We expect that this assistance would be provided in conjunction with assistance from other contributors (e.g., the Baltic Battalion donor group).

A major emphasis of this program will be to encourage regional peacekeeping efforts, such as the Baltic Peacekeeping Battalion initiative. Such voluntary regional cooperation will promote regional security, enhance inter-ethnic cooperation, and subdue cross-border tensions. Rewarding cooperative regional efforts will also serve as an inducement for other states in the region to emulate projects such as the Baltic Battalion.

**EFFECTIVENESS MEASUREMENT:**

- Deployment of CE peacekeeping units to international peacekeeping operations, especially alongside units from NATO member countries.

## EUROPE AND THE NIS

## FINLAND

PROGRAM SUMMARY  
(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
IMET	0.010	0.015	0.015

## OBJECTIVES:

- Continue to facilitate attendance of Finnish officers at U.S. PME institutions to maintain good military relations with that country.
- Use this training to support the F/A-18 purchase with maintenance technologies.

## JUSTIFICATION:

The proposed program enhances the continued contact between mid-grade, upwardly mobile Finnish officers and U.S. military through attendance at Command and Staff and War College level courses. This will give their future senior leadership an exposure to U.S. security policy interests and further enhance the working relationship between the U.S. and Finland. The Commander-in-Chief (designate) of the Finnish Armed Forces is a graduate of the U.S. Army Command and General Staff College. The Finnish Air Force commander and the commandant of the War College are also graduates of U.S. service schools.

## EFFECTIVENESS MEASUREMENT:

- Continued advancement of U.S.-trained officers to the highest levels of command.

## GEORGIA

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
FSA		24.973	21.000
FMF	0.000	0.000	0.000*
IMET	0.063	0.075	0.250

## OBJECTIVE:

- Strengthen Georgia's capacity to manage the human dimension of the transition to democracy and a market economy, and help sustain the neediest sectors of the population during the transition period.
- Foster the emergence of a competitive, market-oriented economy in which the majority of economic resources are privately owned and managed.
- Assist Georgia's transition to transparent and accountable governance and the empowerment of citizens through democratic political processes.
- Foster the integration of democratic and constitutional political, military and economic principles and values into the Georgian defense infrastructure.
- Promote a stable and cooperative defense relationship between the U.S. and Georgia.

## JUSTIFICATION:

The United States has multiple interests in promoting political stability, economic progress and strengthened democracy in Georgia, and in assisting Georgia to establish a polity based on unity and consensus. Georgia, a multi-ethnic state of 5.5 million people on the Black Sea, is an important transit point for humanitarian aid to Armenia and to persons displaced by the fighting in Nagorno-Karabakh. Georgia has been wracked by internal strife; although the situation has stabilized somewhat, more than 250,000 Georgians remain displaced from their homes. A prosperous Georgia at peace internally would help ensure stability in the Caucasus and southern Russia.

The highest priority of the U.S. program will continue to be the provision of humanitarian assistance and to assist the Georgian Government in dealing with the relief effort. As the country's economic situation stabilizes, humanitarian assistance will be increasingly directed towards longer-term development objectives such as micro-enterprise, public works and management improvements.

\* May receive FMF under the President's Warsaw Initiative, allocations for which will be finalized after further refinement of partner plans for Partnership for Peace participation.

*EUROPE AND THE NIS*

To foster the development of conditions for economic growth, USAID is providing long-term advisors to work with the Deputy Prime Minister and the Ministers of Finance and Economy and individuals in a new economic policy center in key reform areas such as currency stabilization, foreign exchange operations, and fiscal management; broadened technical assistance for economic restructuring activities, including the continued support of a long-term business development advisor responsible for promoting business efforts through the provision of training and consultative services. USAID will continue work with the Georgian Ministry of Energy to improve the availability and distribution of energy resources through the country and technical assistance and advisory services in the agriculture and agribusiness sector through Tri-Valley Growers and the Farmer-to-Farmer Program.

To promote democratic development, USAID will support the activities of the National Democratic Institute (NDI), Congressional Human Rights Foundation, Eurasia Foundation and the Institute for Soviet-American Relations in Tbilisi. Through the exchanges and training program, training opportunities will be offered in nongovernmental organization (NGO) management, independent media development, parliamentary process and rule of law. USAID also is planning to provide assistance to improve the legal system and codification of laws. Technical assistance also will be provided to independent radio and the media.

IMET for Georgia is designed to support U.S. objectives related to the establishment and maintenance of a Georgian military that is supportive of Georgia's independence and stability. The proposed FY 1996 IMET program for Georgia will center on senior service professional military education for military officers.

For greater programmatic detail of the FY 1996 FREEDOM Support Act request refer also to the USAID FY 1996 Congressional Presentation.

**EFFECTIVENESS MEASUREMENT:**

- Humanitarian assistance appropriately targeted and reaching the beneficiary in a timely manner. Over the longer-term, beneficiary employment and enterprise start-up will be measured.
- Implementation of various macroeconomic policies (reduced budget deficit, elimination of food and energy subsidies, improved tax collection).
- Increased portion of GDP by private sector; increased number of new business licenses.
- Multiple private media outlets functioning free of government control.
- A constitutional and legal framework and judicial process which provide for more secure individual rights.
- Establishment of environmental NGOs that affect policy changes; and viable independent political parties that respond to their constituencies.
- Promotion of IMET graduates to positions of leadership and command.
- Improved military/civilian relationship in a stable, democratic environment.

## EUROPE AND THE NIS

## GREECE

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
FMF Loan Subsidy (BA)	15.139	19.731	37.000
FMF Loan	283.500	255.150	315.000
IMET	0.100	0.050	0.050

## OBJECTIVES:

- Enhance regional peace and security by strengthening Greece's ability to play a leading positive role in the Balkans and meet NATO requirements on the alliances southern flank.
- Support a strong bilateral defense relationship and continued access to bases on Greek territory.
- Encourage Greece's continued active participation in NATO, enhance its ability to carry out NATO responsibilities, and improve Greek interoperability with other NATO forces.
- Seek to arrange peacekeeping exercises in Greece and to arrange the training of Greek military personnel in peacekeeping procedures in the United States.
- Meet our treaty commitment to assist with the completion of Greece's five-year defense modernization program.

## JUSTIFICATION:

Training support provides Greek military personnel with the training needed to improve interoperability with U.S. and NATO forces. It also enhances Greek military officers' understanding of U.S. foreign policy and defense concerns. Supporting the continued modernization of Greece's armed forces will contribute to the country's capacity to play a leading positive role in the Balkans and help the U.S. and NATO respond to threats to security in the more volatile areas of Southeastern Europe and the Middle East. Greece has nearly completed an ambitious five-year defense modernization program to improve its military capability and its ability to operate more effectively with the military forces of NATO allies. The proposed FY 1996 request will primarily provide sustainment funding for the U.S.-origin weapons systems already in the Greek inventory, and allow for the support of additional U.S. equipment acquired through the Southern Region Amendment, including six P-3 aircraft. Funding will also allow planned refurbishment newer model tanks received through CFE cascading. In addition, funding will allow acquisition of some new weapon systems, such as HARM missiles and AMRAAM.

Training support continues to provide Greek military personnel with the training needed to improve interoperability with U.S. and NATO forces. It also enhances Greek military officers'

*EUROPE AND THE NIS*

understanding of U.S. foreign policy and defense concerns. Training funds should be used in part to provide instruction to Greek military members in peacekeeping techniques.

**EFFECTIVENESS MEASUREMENT:**

- Continued U.S. access to military bases in Greece and conduct of joint exercises.
- Continued support for NATO, including expanded Greek participation in NATO exercises.
- Continued agreement to become involved in peacekeeping efforts, to host peacekeeping exercises and to send students for training in peacekeeping procedures.
- Continued upgrading of major items of equipment in all three services.

## EUROPE AND THE NIS

## HUNGARY

PROGRAM SUMMARY  
(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
SEED		27.529	27.400
FMF	0.000	0.000	7.200*
IMET	0.700	0.700	0.950

## OBJECTIVES:

- Foster the continued growth of a competitive, market-oriented economy in which most economic resources are privately owned and managed.
- Build democratic attitudes and institutions by enhancing the role of individuals and citizens' groups in guiding public policy and encouraging government accountability through civic education, developing and strengthening NGOs, and building the administrative capacity of local government.
- Improve the quality of life and help ameliorate the negative effects of the transition.
- Provide tangible evidence of the U.S. commitment to integrate Hungary into the Western community of nations, including security institutions.
- Improve the interoperability of the Hungarian defense establishment with the armed forces of the U.S. and NATO.
- Promote understanding and performance in civilian control and support the modernization and professionalization of Hungary's armed forces.

## JUSTIFICATION:

Hungary lies in the heart of Central Europe, an area of ethnic diversity and historical suspicion that has been a significant source of geopolitical instability. With the conclusion of the Cold War, it is of vital interest to the United States to assist regional efforts to consolidate democracy and build strong economies in an attempt to preclude further assaults on freedom in Europe which could arise from either ethnic tensions or poverty. Long term European security depends on our meeting these challenges so that the area can be incorporated into the western community of nations.

U.S. government assistance to the Republic of Hungary is based on helping it meet a series of strategic objectives in areas of democratic governance, economic restructuring, and quality of life. This assistance helps to facilitate privatization of state-owned companies, strengthen nascent small and medium- sized private businesses and expedite financial sector reform. Democracy-building programs strengthen the efforts of local government to improve

\* FMF request includes \$3.2m for Partnership for Peace and \$4.0m for CE Defense Infrastructure.

*EUROPE AND THE NIS*

administration, the environment, and social services as well as facilitate education reform and build the ability of indigenous NGOs to promote a democratic society. Assistance also provides support for the labor market transition, environmental restoration, energy efficiency, privatization of housing, and reform of the social service system.

For greater programmatic detail of the FY 96 SEED request, refer to the USAID FY 96 Congressional Presentation.

Expanded defense cooperation between Hungary and the U.S. will contribute to stability in CE while advancing the broad objectives of PFP. Our programs continue to play a key role in shaping the newly democratic and evolving Hungarian military -- by enhancing the professionalism of Hungarian defense officials, training Hungarians in U.S. practices, and exposing Hungarians to the U.S. system of civilian oversight of the armed forces.

We will continue to train Hungarian defense officials at U.S. facilities in areas such as defense planning, military doctrine, and peacekeeping in order to improve Hungary's understanding of U.S. practices and to expand cooperation between our militaries. We will also emphasize English-language instruction for Hungarian defense officials (a GOH priority) in order to facilitate multilateral military cooperation among Hungarian, U.S., and NATO militaries.

**EFFECTIVENESS MEASUREMENT:**

- Accelerated privatization of enterprises and banks.
- Increased efficiency of national and municipal authorities.
- Greater public participation and support for reform process.
- Hungarian participation, alongside U.S. and NATO forces, in multilateral activities employing U.S.-provided training.
- Promotion of IMET graduates to senior military or defense ministry positions.

## EUROPE AND THE NIS

## IRELAND FUND

**PROGRAM SUMMARY**  
(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
ESF	19.600	19.600	29.600

**OBJECTIVE:**

- Promote peace and reconciliation in Northern Ireland, and further recent successes.

**JUSTIFICATION:**

The United States supports the International Fund for Ireland as a tangible expression of our desire to promote peace and reconciliation in Northern Ireland. The Fund was established in 1986 to demonstrate United States support for the Anglo-Irish Agreement; the European Union is the major contributor. This program is responsible for the creation of thousands of jobs to date. It contributes to the promotion of peace by bettering the economic situation of Northern Ireland and the border counties of Ireland. The Fund operates on the principle that its disbursements are distributed on the basis of equality of opportunity and nondiscrimination in employment, addressing the needs of both Catholic and Protestant communities.

The President has underlined our commitment to the Fund. Economic development and the peace process are mutually reinforcing. The peace process will engender the stability needed to attract investment, create jobs and break the cycle of dependency. The fund continues to be the logical channel through which the U.S. can encourage further progress in the peace process.

**EFFECTIVENESS MEASUREMENT:**

- Increased job creation and economic development in Northern Ireland and the border counties of Ireland.

## KAZAKHSTAN

PROGRAM SUMMARY  
(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
FSA		43.563	62.000
FMF	0.000	0.000	0.000*
IMET	0.090	0.100	0.375

## OBJECTIVES:

- Foster the emergence of a competitive, market-oriented economy in which the majority of economic resources are privately owned and managed.
- Support comprehensive economic reform and restructuring in cooperation with other international donors, the IMF and IBRD.
- Assist Kazakhstan's transition to transparent and accountable governance and the empowerment of citizens through democratic political processes.
- Strengthen Kazakhstan's capacity to manage the human dimension of the transition to democracy and a market economy.
- Foster the integration of democratic and constitutional political, military and economic principles and values into the Kazakhstan defense establishment.
- Promote a stable and cooperative military relationship between the U.S. and Kazakhstan, in particular through English language training of the officer corps.

## JUSTIFICATION:

The Kazakhstani Government is committed to close relations with the United States and has adopted responsible positions with regard to international peace and security, including complete denuclearization. Kazakhstan is a massive country located strategically among Russia, China, and the rest of Central Asia. It has potentially huge petroleum reserves, and SS-18 missiles -- the former Soviet Union's most potent nuclear weapons -- remain temporarily deployed on its territory. The U.S. has a compelling interest in helping Kazakhstan to pursue its ambitious plans to establish a market-based democracy.

USAID is assisting Kazakhstan in drafting new or revised legislation related to the tax code, central and commercial banking, accounting, external debt, securities, the stock market and pension reform. Assistance will be provided to the GOK in improving the budgetary system. USAID will help the GOK establish a tracking system for external debt. Financial sector

\* May receive FMF under the President's Warsaw Initiative, allocations for which will be finalized after further refinement of partner plans for Partnership for Peace participation.

*EUROPE AND THE NIS*

assistance will include help in initiating new accounting standards and chart of accounts in the Central Bank, commercial banks and public or publicly traded enterprises.

USAID assistance to promote privatization of state enterprises will focus on developing regulations and guidelines for the transparent trading of enterprise shares, and limiting the role of holding companies and monopolies. USAID will also help conduct public education campaigns promoting the benefits of privatization and participation in it by private domestic and foreign investors. The Central Asia Enterprise Fund will provide both loan and equity financing and related technical assistance to Kazakh enterprises. The Fund also will establish a small business lending program.

USAID advisors will assist in the drafting of civil and commercial codes, new foreign investment legislation, new property, contract and bankruptcy law. USAID will work with Kazakhstani counterparts to draft legislation regarding energy policy and regulation. This will be followed with assistance in corporatization and private investment in energy entities.

If Kazakhstan maintains a serious commitment to comprehensive economic stabilization and restructuring, the United States may provide funds for support of structural reform. This support would likely take the form of commodities, commodity transport, and trade or investment credits as Kazakhstan comes to terms with the International Monetary Fund or the World Bank on structural adjustment loans.

To promote transparency and accountability in democratic governance, USAID will help establish a legislative information management system in parliament and a government auditing capacity. USAID will also consult with government officials on executive actions which should be made public. To strengthen local government capacity USAID advisors will introduce a pilot system for municipal budgeting, finance, and management. Advocacy training and small grants are being provided through USAID to local NGOs. USAID is also supporting the development of a legal and regulatory environment more conducive to NGOs. In the media area, training and technical assistance are being offered to strengthen public interest reporting and the effective use of media during elections. Support for rule of law in Kazakhstan includes workshops and training for legislators and others involved in the development of commercial and civil law; and advice in improving the administration of justice, legal procedures, and administrative management.

Improving the delivery, sustainability and quality of core social services is crucial to improved social welfare and the building of popular support for the economic and political reform process in Kazakhstan. Under the housing sector reform project, USAID will continue to work on developing policies to replace subsidized rent with targeted support for vulnerable renters. Health finance systems will be strengthened by examining alternative options such as insurance schemes, privatization, or continued public financing of certain services. USAID is also supporting the World Bank's efforts to privatize industries in south Kazakhstan by assisting industries with divestiture of health facilities. Assistance will also be provided to improve the legal and regulatory environment surrounding the social sector in Kazakhstan, especially with respect to private medical practice and pharmaceuticals.

In health, intensive demonstration sites in Kazakhstan include efforts aimed at increasing the productivity and efficiency of both hospitals and primary care facilities. Other activities will improve public health surveillance systems and disease control, especially in the areas of

*EUROPE AND THE NIS*

preventable diseases and reproductive health. Training and seminars will be used to promote the development of professional standards and capabilities in the housing sector. Finally, the Aral Sea initiative includes specific programs to improve water quality, access to clean drinking water, and regional management of scarce water resources in the Aral Sea region.

Model activities are being introduced to demonstrate how alternative, private sector-based approaches can be developed to address key issues related to housing construction, maintenance and rehabilitation. Similar demonstration activities are either underway or planned in the health sector, aimed in part on improving incentives and promoting more efficient health service delivery. Assistance is also planned to help in the privatization of the pharmaceutical industry.

IMET for Kazakhstan is designed to support U.S. objectives related to the establishment and maintenance of a Kazakhstan military supportive of Kazakhstan's democratic and economic transition and committed to a durable pattern of cooperation with the West. The proposed FY 1996 IMET program for Kazakhstan will center on English language instructor training, senior service professional military education for military officers, and visits by U.S. military mobile education teams.

For greater programmatic detail of the FY 1996 FREEDOM Support Act request refer also to the USAID FY 1996 Congressional Presentation.

**EFFECTIVENESS MEASUREMENT:**

- Increasing share of national assets transferred from state to effective private control.
- Passage of civil laws which ensure basic rights, support privatization and economic development, and allow NGOs to work freely.
- Establishment of health insurance funds with contributions from employers.
- Privatization of Pharmatsia, the public sector entity which now manages all pharmaceutical distribution.
- Increase in the number of housing finance institutions that provide market-based construction and housing mortgage loans.
- More efficient and effective child immunization services.
- Increase in contraceptive prevalence rate and a decrease in the abortion rate.
- Increase in number of households with access to clean drinking water.
- Advancement of U.S.-trained officers to positions of command.

## KYRGYZSTAN

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
FSA		20.810	17.000
FMF	0.000	0.000	0.000*
IMET	0.050	0.050	0.225

## OBJECTIVES:

- Foster the emergence of a competitive, market-oriented economy in which the majority of economic resources are privately owned and managed.
- Assist Kyrgyzstan's transition to transparent and accountable governance and the empowerment of citizens through democratic political processes.
- Strengthen Kyrgyzstan's capacity to manage the human dimension of the transition to democracy and a market economy.
- Foster the integration of democratic and constitutional political, military and economic principles and values into the Kyrgyz defense infrastructure.
- Promote a stable and cooperative military relationship between the U.S. and Kyrgyzstan.

## JUSTIFICATION:

Guiding Kyrgyzstan's development along free-market lines and within democratic principles offers the best hope for its future, and will also enable it to serve as a model for other newly independent states. Shortly after independence, Kyrgyzstan distinguished itself as an early and aggressive economic reformer, which the U.S. has recognized through substantial assistance. Kyrgyzstan's isolation and scarce resources will challenge its transition from a heavily subsidized province of the Soviet Union to an economically-viable independent state. Integrating Kyrgyzstan into the regional and world economy will help discourage its becoming a major source and transit point for narcotics, but will not be a substitute for direct counter-narcotics assistance.

USAID is assisting the Kyrgyz Republic in drafting new or revised legislation related to the tax code, central and commercial banking, accounting, external debt and securities and the stock market. Assistance is also being provided in improving the budgetary process. USAID will help the GOK establish a tracking system for external debt. Financial sector assistance will include help in initiating new accounting standards and chart of accounts in the Central Bank, commercial banks and public or publicly traded enterprises.

\* May receive FMF under the President's Warsaw Initiative, allocations for which will be finalized after further refinement of partner plans for Partnership for Peace participation.

*EUROPE AND THE NIS*

Planned activities to foster transfer of enterprises to private ownership include monitoring privatization legislation, auction procedures and training facilities, making adjustments needed to promote broad based participation and prevent collusion; developing regulations and guidelines for the transparent trading of enterprise shares; limiting the role of holding companies and monopolies; conducting effective public education campaigns promoting the benefits of privatization and participation in it by private domestic and foreign individuals, funds and entities; and providing post privatization assistance to a range of enterprises.

During 1995-1996, USAID advisors will assist in the drafting of civil and commercial codes and implementing regulations, new foreign investment legislation including mineral provisions, and new property law, contract law and bankruptcy legislation. The Central Asia Enterprise Fund is opening an office in Bishkek to provide both loan and equity financing and related technical assistance. The Fund will establish a small business lending program in Kyrgyzstan. USAID will work with Kyrgyz counterparts to help draft and review legislation regarding energy policy and regulation. This will be followed with assistance in corporatization and private investment in energy entities.

USAID encourages local NGO's to work with elected officials at the parliamentary and local level. Seminars and workshops on political party development, coalition building and conflict resolution have either been offered or are in the planning stages. Training and technical assistance to the judiciary and advice on developing an independent bar association are also supported by USAID. USAID will cooperate with the Kyrgyzstan parliament to strengthen legislative functions, especially in the area of transparency, oversight and accountability. Small grants to human rights NGOs will be made.

Improving the quality, delivery, and sustainability of core social services is crucial to improving social welfare and building popular support for the economic and political reform process in Kyrgyzstan. In housing, USAID resources are aimed at improving public welfare through improved targeting of housing subsidies; increased housing quality and choice for all consumers, and greater availability of affordable housing.

Under the housing sector reform project, USAID is helping develop policies to replace subsidized rent with targeted support for vulnerable renters. USAID is also helping clarify ownership and land rights and facilitate private investment in urban land development; an effective, market-based system of titling and valuing property is also planned. Health finance systems will be strengthened by examining alternative options such as insurance schemes, privatization, and better targeting of publicly financed services. An intensive demonstration site for health finance/delivery will be established. USAID is supporting the modernization of two family planning service delivery sites in Bishkek. Future social sector efforts will include improving the legal and regulatory environment, especially with respect to private medical practice and pharmaceuticals. Technical, legal and legislative assistance will be provided in the development of progressive energy sector laws and regulations. The Centers for Disease Control and Prevention will be providing technical assistance to the government to improve public health surveillance systems and response to disease outbreak. Technical assistance will be provided to support sustainable childhood immunization services.

IMET for Kyrgyzstan is designed to support U.S. objectives related to the establishment and maintenance of a Kyrgyz military supportive of Kyrgyzstan's democratic and economic transition and committed to a durable pattern of cooperation with the West. The proposed FY

*EUROPE AND THE NIS*

1996 IMET program for Kyrgyzstan will center on English language training, senior service professional military education and visits of U.S. mobile training teams.

For greater programmatic detail of the FY 1996 FREEDOM Support Act request refer also to the USAID FY 1996 Congressional Presentation.

**EFFECTIVENESS MEASUREMENT:**

- Drafting, passage and implementation of the commercial and civil laws, standards and systems by the end of 1996.
- Increased share of national assets are transferred from state to effective private control.  
Transfer of all technical assistance support functions to local counterparts.
- Free elections taking place at local and national levels.
- Greater transparency in the executive and legislative process.
- Demonstrated ability of courts to assert their independence.
- Enactment of legal and institutional reforms to support private housing markets, health insurance systems, and financial and managerial autonomy for health providers.
- Reduction of rent subsidies and introduction of market pricing for housing maintenance services.
- Increase in the number of housing finance institutions providing market-based construction and housing mortgage loans.
- Improved system of quality assurance in health care at the facility and oblast level.
- More efficient and effective child immunization services.
- Advancement of U.S.-trained officers to positions of command.
- Improved military/civilian relationship in a stable, democratic environment.

## LATVIA

PROGRAM SUMMARY  
(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
SEED		6.915	7.450
FMF	0.000	0.000	2.917*
IMET	0.195	0.200	0.385

## OBJECTIVES:

- Support the economic transition through open market reforms, including private sector development, banking reform, energy efficiency and environmental protection.
- Support development of democratic institutions through the strengthening of local and national government and nongovernmental organizations.
- Improve the interoperability of the Latvian defense establishment with the armed forces of the U.S. and NATO.
- Support the professionalism of Latvia's fledgling armed forces.
- Demonstrate support for Latvia's sovereignty and territorial integrity.

## JUSTIFICATION:

Latvia regained its independence from the Soviet Union in September 1991. Assistance to the Republic of Latvia through the SEED Act began shortly thereafter. Initial support consisted of emergency humanitarian assistance and energy programs that responded to immediate needs. The program quickly evolved into a comprehensive technical assistance system supportive of the Government of Latvia's development objectives. As of September 30, 1994, cumulative obligations to Latvia under the SEED Act totaled \$22.5 million.

Latvia's impressive economic accomplishments, including the successful introduction of a fully-convertible national currency, continuity in economic policy reform during a time of political change, and rapid reintroduction of democratic institutions have led to a sharpened focus of SEED activities. Assistance efforts will concentrate on those public and private sector recipients who benefit from liberalization of the business climate such as the banking industry and newly-privatized enterprises.

A growing challenge to the sovereignty and economic growth of Latvia and other countries in the region has been the rise of international crime. The U.S. has developed a regional "Law and Democracy" program to assist interested Central European governments by providing training to develop skills requisite to the detection and prosecution of corruption, white collar and organized crime. Latvia will participate in this program, which contributes to U.S.

\* FMF request includes \$1.25m for Partnership for Peace and \$1.667m for Baltic Peacekeeping Battalion.

*EUROPE AND THE NIS*

objectives of supporting the transition to market economies and democratic systems of government, and deepening respect for human rights in Central Europe.

Increased defense cooperation between Latvia and the U.S. will demonstrate U.S. commitment to Latvian sovereignty, bolster the stability of the Baltic region, and advance the objectives of PFP. Our programs have already played, and can continue to play, a key role in shaping the fledgling Latvian military -- by enhancing the professionalism of Latvian defense officials, training Latvians in U.S. practices, and exposing Latvians to the U.S. system of civilian oversight of the armed forces.

We will continue to train Latvian defense officials at U.S. facilities in areas such as defense planning, military doctrine, peacekeeping, and financial accountability. We also will continue to emphasize English-language instruction for Latvian defense officials (which Latvia has identified as a high priority) in order to facilitate multilateral military cooperation among Latvian, U.S., and other militaries.

**EFFECTIVENESS MEASUREMENT:**

- Establishment of policy, enactment of legislation, and development of regulatory procedures necessary to establish markets and expand the private sector.
- Well-functioning, efficiently regulated, transparent and open financial markets in place.
- Viable, independent political parties.
- Multiple private media outlets, free of government control.
- Institution of transparent government procedures and increased citizen involvement, including at the local level.
- Latvian participation, alongside U.S. and NATO forces, in multilateral activities employing U.S.-provided training.
- Promotion of IMET graduates to senior military or defense ministry positions.

## EUROPE AND THE NIS

## LAW AND DEMOCRACY

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

DESCRIPTION: Provide Law Enforcement Training and Support for Rule of Law Programs in Central Europe and the NIS.

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
SEED	0.000	6.000	10.000
ESF	0.000	1.000	0.000

## OBJECTIVES:

- Facilitate police training and exchanges, and investigative and technical assistance activities related to international criminal activities.
- Strengthen democratic institutions through an enhanced criminal justice system, based on the rule of law and respect for human rights.
- Improve the effectiveness of law enforcement and judicial officials in their ability to address the problems of organized and white collar crime and narcotics trafficking.
- Demonstrate support for the sovereignty of the countries in transition in the region.

## JUSTIFICATION:

During his July 1994 visit to Poland and Latvia, the President announced a new effort to support the democracies of Central and Eastern Europe in their fight against crime, which is growing throughout the region. White collar crime, fraud, customs violations and corruption damage the fabric of democracy. Part of the legacy of communism was a legal system inadequate to enforce the rule of law in a free market environment and serve as the foundation for democracy. Organized criminal groups and narcotics traffickers -- some from outside the CE region -- are also taking advantage of more open societies to conduct illegal activities throughout the region.

The United States has developed a regional program, "Law and Democracy," to assist interested Central and East European governments by providing training to develop skills requisite to the detection and prosecution of corruption, white collar and organized crime. The program will focus on banking regulation, securities markets, counterfeiting, customs control, money laundering, organized crime and narcotics trafficking. It will provide training -- both long-term and short-term -- in methods of detecting crime and building cases against suspects in accordance with the norms of democratic society. When appropriate, an advisor will be placed in country to identify specific training needs and work with host country officials in drafting and implementing legislation. The program will also assist in training judges and prosecutors.

*EUROPE AND THE NIS*

The Law and Democracy program, building on ongoing "rule of law" activities, contributes to U.S. objectives of supporting the transition to market economies and democratic systems of government, and deepening respect for human rights in Central and Eastern Europe. The program will be regional, available to CE countries which desire such assistance and in which such a program is a priority element of our assistance strategy. We have initiated the program in Poland and the Baltic states and plan to expand it to other CE countries later in 1995.

Closely tied to the program is the establishment of a U.S. Law Enforcement Training Center in Budapest, Hungary, announced by the President in December on the occasion of the OSCE Summit. The Center plans to open its doors at the end of April, with an initial training program for some 30 mid-level law enforcement officials drawn from the region. The Center, which will be renovated during the course of 1995, will eventually be able to offer five 8-10 week mid-level training courses each year for some 50 participants (annual total of 250), divided among CE and NIS countries. In addition, the Center will be used for short-term training courses which focus on combating organized crime, financial or economic crimes, and narcotics trafficking.

We have identified \$5 million in FY 95 SEED funds for country-specific and regional training programs in Poland and the Baltics, and through the U.S. Law Enforcement Center in Budapest. This law enforcement assistance will be tied closely to ongoing "rule of law" programs in order to ensure that such assistance is based on a solid democratic foundation. In addition to the money for law enforcement training, we have set aside \$1 million in FY 95 to fund legislative assistance and prosecutorial and judicial training in Poland and the Baltics. We have also identified \$1 million of FY 95 ESF funds for the renovation of the Budapest facility.

**EFFECTIVENESS MEASUREMENT:**

- Better trained law enforcement officials in the region.
- Decrease in economic and white collar crime.
- Development of capable, independent judiciaries.
- Closer, more effective cooperation between U.S. and Central and European law enforcement officials.

## EUROPE AND THE NIS

## LITHUANIA

PROGRAM SUMMARY  
(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
SEED		12.262	12.689
FMF	0.000	0.000	2.917*
IMET	0.150	0.200	0.385

## OBJECTIVES:

- Develop the newly-privatized business sector, with emphasis on financial sector reform.
- Address the need for energy efficiency and the safety of the Ignalina nuclear power plant.
- Strengthen democratic institutions, both governmental and nongovernmental.
- Improve the interoperability of the Lithuanian defense establishment with the armed forces of the U.S. and NATO.
- Support the professionalism of Lithuania's fledgling armed forces.
- Demonstrate support for Lithuania's sovereignty and territorial integrity.

## JUSTIFICATION:

Assistance under the SEED Act began in the Republic of Lithuania in October 1991. Immediate needs were for rapid-delivery humanitarian and energy programs. Almost immediately, the Government of Lithuania (GOL) engaged in efforts to transform the economy into a full-fledged market system; U.S. assistance has kept pace with the developments to offer timely help in the fulfillment of this goal. The United States, having never recognized the forcible incorporation of Lithuania into the Soviet Union, is the largest bilateral donor in the country and plays an active role among the international community. As of September 30, 1994, total U.S. assistance to Lithuania was approximately \$29.6 million.

The successful and irreversible economic and democratic transition of Lithuania into the Central European community is one of the United States' highest foreign policy objectives in the region. A recent review of strategic objectives has resulted in an increased emphasis on environmental efficiency investment and improving the role of formerly state-owned agro-industries in the economic transformation process. Special emphasis will be given to production, pricing, and infrastructure support services.

Increased defense cooperation between Lithuania and the U.S. will demonstrate U.S. commitment to Lithuanian sovereignty, bolster the stability of the Baltic region, and advance the objectives of PFP. Our programs have already played, and can continue to play, a key role

\* FMF request includes \$1.25m for Partnership for Peace and \$1.667m for Baltic Peacekeeping Battalion.

*EUROPE AND THE NIS*

in shaping the fledgling Lithuanian military -- by enhancing the professionalism of Lithuanian defense officials, training Lithuanians in U.S. practices, and exposing Lithuanians to the U.S. system of civilian oversight of the armed forces.

We will continue to train Lithuanian defense officials at U.S. facilities in areas such as defense planning, military doctrine, peacekeeping, and financial accountability. We also will continue to emphasize English-language instruction for Lithuanian defense officials (which Lithuania has identified as a high priority) in order to facilitate multilateral military cooperation among Lithuanian, U.S., and other militaries.

**EFFECTIVENESS MEASUREMENT:**

- Establishment of policy, enactment of legislation, and development of regulatory procedures necessary to establish markets and expand the private sector.
- Well-functioning, efficiently regulated, transparent and open financial markets in place.
- Competitive pricing for the efficient use of electricity resources.
- Viable, independent political parties.
- Multiple private media outlets, free of government control.
- Development and institution of transparent local government procedures and increased citizen involvement.
- Lithuanian participation, alongside U.S. and NATO forces, in multilateral activities employing U.S.-provided training.
- Promotion of IMET graduates to senior military or defense ministry positions.

## EUROPE AND THE NIS

## THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA (FYROM)

PROGRAM SUMMARY  
(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
SEED		13.383	16.724
FMF	0.000	0.000	0.750*
IMET	0.000	0.125	0.250

## OBJECTIVES:

- Build a democratic and civil society through programs that encourage broad citizen participation.
- Develop the private sector and free markets working through pilot privatization programs, technical assistance to the banking industry, and management training.
- Support improvements in regional East-West transportation links.
- Improve the FYROM's ability to cooperate with UN, U.S., and other multinational forces.
- Support the modernization and professionalization of the FYROM's armed forces.

## JUSTIFICATION:

The Former Yugoslav Republic of Macedonia (FYROM) declared its independence in 1991 and has been struggling for survival ever since. The FYROM's stability is the linchpin of stability in the South Balkans. FYROM territory has been the object of four wars in this century alone. It has been recognized by only two of its four neighbors, is situated on the edge of a war zone, and shares a border with Kosovo, the most potentially volatile area in the South Balkans.

U.S. policy aims to maintain regional stability by shoring up political and economic stability in the FYROM. The FYROM's economy suffered from the breakup of Yugoslavia and has continued to deteriorate under the double pressures of sanctions against Serbia to the north and the Greek embargo on its southern border. U.S. economic and technical assistance, while inadequate in and of itself to stop the steady decline of the Macedonian economy, has had a positive impact on fledgling democratic institutions, and sends an important signal to neighboring countries that the U.S. considers FYROM's survival important to regional stability. The USG's intention to provide assistance in the transport sector under the South Balkan Initiative is critical at this time when the FYROM's access to ports and foreign markets is so difficult.

The FY 1994 SEED program focused on providing technical assistance in two key areas: support to the stabilization program through financial and economic restructuring, and democratization. Early efforts addressed a broad spectrum of financial activities -- the national

\* FMF request is for Partnership for Peace.

*EUROPE AND THE NIS*

budget, taxation, pensions, banking, and privatization -- with the objective of creating the financial infrastructure necessary for a successful transition to a market economy. As international financial institutions began to take a more active role in the FYROM, U.S. assistance was narrowed to focus on specific and related areas of concern.

Promoting increased defense cooperation between the FYROM and the U.S. will play a key role in bolstering the stability of the volatile Balkan region. Our programs can play a key role in shaping the fledgling Macedonian military -- by enhancing the professionalism of Macedonian defense officials, training Macedonians in U.S. practices, and exposing Macedonians to the U.S. system of civilian oversight of the armed forces. We can also promote regional peace and security by promoting the compatibility of the poorly-equipped and trained Macedonian military with U.S. and NATO forces. U.S.-provided training will also facilitate cooperation with UNPROFOR forces in the FYROM.

We will train Macedonian defense officials at U.S. facilities in areas such as defense planning, military doctrine, and peacekeeping in order to improve the FYROM's understanding of U.S. practices. We will continue to emphasize English-language instruction for Macedonian defense officials to facilitate cooperation among Macedonian, U.S., and NATO militaries.

**EFFECTIVENESS MEASUREMENT:**

- Increased number of licensed, viable private commercial banks, and effective system established to regulate private banking.
- Decrease percent of national business assets in state hands.
- Local and regional government roles and responsibilities clarified and better executed.
- Plans established for improved East-West transportation links.
- Promotion of IMET graduates to senior military or defense ministry positions.

## EUROPE AND THE NIS

## MALTA

**PROGRAM SUMMARY**  
(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
IMET	0.018	0.065	0.075

**OBJECTIVES:**

- Improve defense resource management capabilities.
- Further development of a Western-oriented professional officer corps.

**JUSTIFICATION:**

Located in the Mediterranean in close proximity to NATO ally Italy and to Libya, Malta has moved steadily closer to the U.S. and Europe in its security posture, and can effectively use assistance to further its ability to participate in key aspects of regional security. To support this goal, we propose providing infantry officer, military police and search and rescue training.

**EFFECTIVENESS MEASUREMENT:**

- Increased willingness of the Maltese military to cooperate with U.S. forces and NATO.
- Evidence of the government's readiness to contribute to international peacekeeping/observer missions.
- Improved standards of maintenance and operation readiness.
- Improved interdiction and anti-terrorism capabilities.

## MOLDOVA

PROGRAM SUMMARY  
(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
FSA		22.180	30.000
FMF	0.000	0.000	0.000*
IMET	0.057	0.050	0.225

## OBJECTIVES:

- Foster the emergence of a competitive, market-oriented economy in which the majority of economic resources are privately owned and managed.
- Support comprehensive economic reform and restructuring in cooperation with other international donors, the IMF and IBRD.
- Assist Moldova's transition to transparent and accountable governance and the empowerment of citizens through democratic political processes.
- Strengthen Moldova's capacity to manage the human dimension of the transition to democracy and a market economy.
- Foster the integration of democratic and constitutional political, military and economic principles and values into the Moldovan defense infrastructure.
- Promote a stable and cooperative military relationship between the U.S. and Moldova.

## JUSTIFICATION:

Since independence in 1992, Moldova has charted a firm course toward macroeconomic stabilization in close cooperation with the international financial community and with considerable assistance from the United States. The reforms have had great success toward establishing a stable currency, privatizing enterprises, freeing consumer prices, and dramatically reducing inflation. There is still considerable work to be done, however, and Moldova's economic recovery has yet to take hold. Politically, Moldova conducted successful elections and instituted a new constitution. Moldova is committed to a peaceful settlement of its ethnic and separatist disputes, again setting a forceful example for that strife-torn region. Continued U.S. technical assistance for structural reform is essential for Moldova to remain an example to neighbors facing similar political, economic, and social difficulties.

To promote the transition to a market economy, USAID will assist mass privatization through cash auctions and case-by-case privatizations; train Moldovan nationals and provide assistance to improve corporate management and support restructuring; provide assistance to private

\* May receive FMF under the President's Warsaw Initiative, allocations for which will be finalized after further refinement of partner plans for Partnership for Peace participation.

*EUROPE AND THE NIS*

farmers to improve incomes and quality of life, and to identify joint agribusiness ventures; train professors of agriculture; and provide equity investments in private businesses and a small business lending program through the West NIS Enterprise Fund. USAID will help the Moldova Stock exchange develop a modern securities exchange.

If Moldova maintains a serious commitment to comprehensive economic stabilization and restructuring, the United States may provide funds for support of structural reform. This support would likely take the form of commodities, commodity transport, and trade or investment credits as Moldova comes to terms with the International Monetary Fund or the World Bank on structural adjustment loans.

Securing energy resources is vital to Moldova's fledgling private enterprises. USAID is helping establish energy efficiency standards and promote institutional reform for the country's energy enterprises. USAID will provide assistance to the Moldovan legislature as it establishes sound environmental laws, regulations, and regulatory bodies. A demonstration project using a large farm will highlight environmentally-sound agricultural practices.

Assistance in the area of rule of law will include help in drafting legal and regulatory frameworks protecting the rights of the individual and of private property ownership. Assistance will also support work by the Parliament to address legal issues regarding elections. Initiatives aimed at voter education and strengthening the capacity of indigenous NGOs are also planned.

Partnerships between Moldovan and U.S. hospitals will provide exchanges and training visits to the United States. USAID will provide follow-on technical assistance and continue to work with the GOM to develop a self-sustaining immunization system. Additional technical assistance is planned to assist in drafting new health insurance legislation.

IMET for Moldova is designed to support U.S. objectives related to the establishment and maintenance of a Moldovan military supportive of Moldova's independence and stability, its democratic and economic transition and committed to a durable pattern of cooperation with the West. The proposed FY 1996 IMET program for Moldova will center on senior service professional military education for military officers, English language training for instructors and visits of U.S. mobile education teams.

For greater programmatic detail of the FY 1996 FREEDOM Support Act request refer also to the USAID FY 1996 Congressional Presentation.

**EFFECTIVENESS MEASUREMENT:**

- Privatization of more than 1,500 enterprises by the end of the Moldovan government's 1995-1996 program.
- Emergence of well-functioning capital markets.
- Establishment of energy-efficient power utilities.
- Constitutional and legal framework and judicial process provide for more secure individual rights.

*EUROPE AND THE NIS*

- Development of a national immunization policy and improved vaccine and cold chain management.
- Moldovan participation, alongside U.S. and NATO forces, in PFP and multilateral activities employing U.S.-provided training.
- Promotion to senior military or defense ministry positions of graduates of U.S. IMET programs.

## EUROPE AND THE NIS

## NIS PEACEKEEPING

PROGRAM SUMMARY  
(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
PKO	0.000	5.000	5.000

## OBJECTIVE:

- Support peacekeeping efforts in the NIS financed by voluntary means and conducted in accordance with the UN Charter and OSCE principles.

## JUSTIFICATION:

U.S. assistance policy toward the NIS is designed to further regional stability, free markets and democracy in the countries that comprised the former Soviet Union. It seeks to help consolidate the democratic and economic reforms underway in Russia and the other NIS that will prevent a return to the political tension and military competition of the Cold War era.

It is a fundamental objective of the United States to support the independence, sovereignty and territorial integrity of all of the NIS. Disputes and conflicts in several NIS undermine the viability of these states and threaten stability, democratization and reform in the region. Funding under this program will be directed toward supporting, as appropriate, peacekeeping operations in the NIS financed by voluntary means. The United States will continue to lead and support international efforts to assist the parties in arriving at peaceful solutions.

The NIS militaries serve as guarantors of independence and internal stability as well as contribute to the formulation of national policies. Proper conduct by the militaries of the NIS will inspire confidence in, and serve as an example and guide for, the peoples of the NIS involved in nation-building. To the extent that U.S. funding to NIS militaries involved in peacekeeping operations promotes and supports such operations being carried out in accordance with the UN Charter and OSCE principles, our overall regional goals will be advanced.

The proposed PKO funding would support of peacekeeping operations in the New Independent States of the Former Soviet Union (NIS) that are not financed by UN assessed contributions. Assistance would be provided in the form of training, technical or logistical assistance, or material assistance, as appropriate. In addition to helping bring an end to armed conflict and to restoring stability and a climate for successful reform efforts, U.S. contributions to voluntary peacekeeping operations in the NIS gives us some leverage over the conduct of the operation and enhances our ability to persuade others to contribute.

## EFFECTIVENESS MEASUREMENT:

- Peaceful resolution of armed conflicts in the region.

## EUROPE AND THE NIS

## NIS/EAST EUROPE REGIONAL COUNTERNARCOTICS COOPERATION

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

DESCRIPTION: This new regional program will support cooperating countries in developing and implementing narcotics control programs.

**PROGRAM SUMMARY**  
(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
INC	0.000	0.000	4.000

## OBJECTIVE:

- Enhance cooperation among regional governments of the Newly Independent (NIS)/East Europe (EE), with U.S. counternarcotics efforts.

## JUSTIFICATION:

The increased incidence of NIS/EE narcotics-related organized crime elements attempting to extend their operations to the U.S. poses a direct threat to our national security. The corrupting presence of thriving drug trafficking organizations in these countries also constitutes a hindrance to the establishment of democratic institutions, and lessens the potential for stable economic growth. This new regional account will provide a much broader capability to counter the debilitating influence of the narcotics trade in this critically important area of the world.

Counternarcotics assistance already provided to the region in Fiscal Years 1993 and 1994, includes:

- Over \$1 million of our UNDCP contribution earmarked for projects in NIS/EE;
- \$700,000 in bilateral enforcement, customs, and demand reduction training to Eastern Europe and the NIS; and
- Travel of an interagency team to Central Asia in May 1993 to assess the drug problem and evaluate the capabilities of local authorities.

Bilateral training has focused on promoting a regional response. In light of the serious drug-related problems facing the NIS, most, if not all, of the governments in the region have a critical need for additional individualized advice and support. Funds from this new regional account will be used principally to provide bilateral commodity and technical assistance, which will bolster initiatives already underway from counternarcotics training and international organization accounts.

*EUROPE AND THE NIS*

Law enforcement organizations in the region are working with the U.S. to target international drug operations, but lack basic equipment and expertise to track and prosecute cases. In Bulgaria, for instance, the Central Service for Combating Organized Crime and Narcotics is developing a national data base to improve investigation of drug cases throughout Bulgaria. Counternarcotics funds were used to provide the Central Service with personal computers and other office equipment to develop this data base and improve communication between the Central Service offices and DEA Athens. Similar projects will be developed in most of the countries of the region.

Many regional police organizations have been successful in making numerous small-scale drug seizures and some larger ones, but capabilities have often been limited by a lack of basic equipment. Items such as handcuffs, radios, forensic equipment and drug testing kits are a top priority. Funds from the regional account will be used to address these procurement issues as well.

Many governments have requested assistance to bring their national legislation into line with the requirements of the 1988 UN Vienna Convention, and others have solicited specific advice on drafting legislation on money laundering, anti-racketeering, anti-organized crime, asset forfeiture and seizure, and other related areas. FY 1996 funds will finance the travel, per diem, interpretation, translation and other administrative costs associated with providing such assistance. U.S. experts will work with their counterparts involved in drafting legislation, and offer seminars geared for policy-level people from a range of interested ministries and other bodies. The focus will be on legislation and sensitizing policy makers. U.S. experts will also be utilized to assist governments in elaborating national drug control strategies, and in articulating a systematic approach to meeting training and equipment needs.

The new Narcotics Affairs Section (NAS) in Moscow, scheduled to be opened in FY 1995, will be funded by this regional account.

**EFFECTIVENESS MEASUREMENT:**

- Better exchange of information with U.S. law enforcement agencies, resulting in enhanced cooperation on operations and investigations.
- Increased cooperating country counternarcotics institutional capacities.
- Increased public drug awareness and decreased market demand for drugs.

## EUROPE AND THE NIS

**NIS/EAST EUROPE REGIONAL COOPERATION  
INC BUDGET  
(\$000)**

	FY 1994	FY 1995	FY 1996
		1/	
<b>Commodities</b>	-	-	2,000
Vehicles, communications equipment, information systems, investigative and other equipment			
<b>Other Costs</b>	-	-	1,550
Training and operations support, surveys			
<b>Narcotics Affairs Section</b>	-	-	450

<b>TOTAL</b>	1/	0	0	4,000
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1/ In FY 1995, Asia/Africa/Europe Regional funds will be used to fund start-up costs of the NIS programs.

## EUROPE AND THE NIS

## OSCE PEACEKEEPING

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

DESCRIPTION: To provide the FY 1996 U.S. contribution to the peacekeeping operations of the Organization for Security and Cooperation in Europe (OSCE).

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
PKO	0.620	4.000	7.000

## OBJECTIVES:

Our FY 1996 request for U.S. voluntary contributions to the OSCE supports U.S. policy goals of preventing destabilizing conflicts in the former Soviet Union, and containing/reducing conflict in the Balkan states. It will be used in the following operations: (1) conflict prevention missions in Bosnia, Estonia, the Former Yugoslav Republic of Macedonia, Georgia, Latvia, Moldova, Serbia, Tajikistan, Ukraine and any other OSCE missions approved by the U.S. in the course of FY 1995-6; (2) monitoring of sanctions enforcement against the former Yugoslavia; (3) a peacekeeping force and civilian oversight monitors for the enclave of Nagorno-Karabakh -- to be deployed once a cease-fire is in place between Armenia and Azerbaijan; and (4) other OSCE preventive diplomacy, conflict prevention and peacekeeping missions decided on by consensus vote of the OSCE.

## JUSTIFICATION:

The proposed U.S. voluntary contribution is approximately nine percent of total OSCE peacekeeping expenditures and may be used in exceptional circumstances to further the above mentioned goals beyond the nine percent contribution to which the U.S. is politically committed. The amount requested will be sufficient to meet the requirements of this year's program plus a deployment to Nagorno-Karabakh. Moreover, all seven OSCE missions to date have succeeded in reducing tensions and avoiding open conflict in their areas of deployment, thus justifying this low-cost response to dangerous conflicts.

## EFFECTIVENESS MEASUREMENT:

- Effectiveness of the program will be measured by the missions' effectiveness in containing conflict and tensions, and by the ability of sanctions enforcement teams to effectively enforce the sanctions regime against the former Yugoslavia.

## EUROPE AND THE NIS

## PARTNERSHIP FOR PEACE (PFP)

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

DESCRIPTION: Provide grant FMF to democratic European states to advance the goals of the Partnership for Peace (PFP).

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
FMF	0.000	0.000	60.000
Defense Authorities	0.000	30.000	40.000

## OBJECTIVES:

- Advance the goals of PFP by facilitating -- through training and equipment transfers -- participation by democratic European states in cooperative military activities with NATO.

## JUSTIFICATION:

A crucial national security objective for the United States is to ensure that NATO's PFP initiative, in keeping with its primary goal of furthering stability and security in the region, (1) builds strong practical ties between NATO and its new democratic partners and (2) develops strong candidates for NATO membership.

PFP was initiated at the January 1994 NATO Summit. It seeks improved interoperability and an avenue for the PFP partners to develop closer military relations with NATO. PFP will encourage, *inter alia*, joint planning, training, and military exercises with U.S. and NATO forces; greater interoperability of military equipment, forces, procedures and conformity of doctrine. PFP will also help emerging democracies establish shared values and interests; free market economies; civilian control of the defense forces; and commitment to the stability and security of the region.

Partner participation in PFP activities, as well as partner interoperability with NATO, has been hampered by serious logistical and resource deficiencies, equipment obsolescence, and operational (doctrine/training/leadership) shortcomings. In order to jump-start PFP, President Clinton announced last July his "Warsaw Initiative", a commitment to request \$100 million (\$25 million for Poland) in FY 1996 assistance for new democratic partner states for the purpose of advancing PFP goals. Warsaw Initiative funds will be used to build the foundations of partner participation in PFP and interoperability with NATO, and eventual integration of some partners into NATO. This initiative is consistent with the spirit of the NATO Participation Act of 1994 and builds upon Congress' FY 1995 appropriation of \$30 million to the Defense Department to support partner participation in PFP activities.

FY 1996 budget requests by the Department of State (Foreign Operations Appropriations) and Department of Defense (Defense Appropriations) are required to fund the \$100 million Warsaw

*EUROPE AND THE NIS*

Initiative. To implement the Initiative under existing legislative authorities, the State Department requests \$60 million to implement the bilateral military assistance program for proposed equipment transfers and training. The DoD is requesting the balance of \$40 million to be allocated among programs supporting individual partner participation in joint exercises as well as programs for advancing NATO-PFP interoperability.

Careful consideration has been given to an initial strategy for funding under the Foreign Operations Appropriation. To facilitate cooperation through PFP by interested states, the requested funding will seek to address deficiencies that hamper greater participation in PFP-related activities. This program will support transfers of equipment where appropriate, to enhance the interoperability of partner forces with NATO forces, including, for example, tactical radios, night vision equipment, global positioning system receivers, search and rescue equipment for helicopters, and command, control and communications (C3) upgrades. Special attention will be focused on supporting specialized units in partner militaries that are likely to participate in PFP activities.

Training would include expanded instruction of English (a NATO language) through increased in-country training, transfers of additional language labs, and associated training materials. Mid- and lower-level trainees would be targeted for basic comprehension training (in contrast with IMET which focuses language training on obtaining advanced comprehension levels to facilitate participation in U.S. DoD professional military education programs). We would also expand training (in-country, CONUS, Brussels) designed to familiarize partner defense officials with U.S. and NATO defense structure, doctrine and operations. A further goal would be to foster development of professional NCO cadres in partner defense forces (unlike IMET which primarily focuses upon programs for partner defense forces' professional military corps and civilians involved in military matters).

Collateral efforts funded by the DoD budget (\$40 million, FY 1996) would include support for individual PFP partners participation in joint exercises and other activities to enhance NATO interoperability. These programs are discussed in the DoD Congressional Justification for funding under Title 10.

**EFFECTIVENESS MEASUREMENT:**

- Enhanced ability of PFP partners to take part in PFP activities.

## EUROPE AND THE NIS

COUNTRY-BY-COUNTRY DISTRIBUTION - WARSAW INITIATIVE  
USG SUPPORT TO THE PARTNERSHIP FOR PEACE

(DOLLARS)

Country	FMF - Grant	Defense Authorities	Total
Poland	16,475,000	8,525,000	25,000,000
Czech Republic	8,900,000	1,100,000	10,000,000
Hungary	3,200,000	6,800,000	10,000,000
Slovakia	3,550,000	950,000	4,500,000
Romania	9,275,000	725,000	10,000,000
Bulgaria	4,275,000	725,000	5,000,000
Albania	2,525,000	725,000	3,250,000
Slovenia	400,000	600,000	1,000,000
FYROM	750,000	250,000	1,000,000
Estonia	1,250,000	500,000	2,750,000
Latvia	1,250,000	500,000	2,750,000
Lithuania	1,250,000	500,000	2,750,000
CE Subtotal	53,100,000	21,900,000	75,000,000
NIS Subtotal	6,900,000	18,100,000	25,000,000
Total	60,000,000	40,000,000	100,000,000

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\* Country amounts for the NIS will be finalized after further refinement of partner plans for PFP participation.

## EUROPE AND THE NIS

## POLAND

PROGRAM SUMMARY  
(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
SEED		74.972	65.425
FMF	0.000	1.000	18.475*
IMET	0.700	0.700	0.950

## OBJECTIVES:

- Support private sector development.
- Assist development of the financial sector.
- Reform an obsolete public sector to better support democratic development and a market economy.
- Strengthen democratic institutions at the grass roots level by strengthening NGOs, supporting legal and judicial reforms, and creating independent, professional, and ethical media.
- Improve the interoperability of the Polish defense establishment with the armed forces of the U.S. and NATO.
- Support the professionalization of Poland's armed forces.

## JUSTIFICATION:

Poland is the largest Central European state with a population of more than 40 million. This size, which offers the potential for Poland to become a major player in the region, produces complexity and limits the possibility of easy solutions. How Poland does in its struggle to put in place broad-based democracy and a functioning free market, with full respect for human rights, is extremely important to U.S. policy.

Poland is the largest recipient of U.S. assistance in Central Europe with nearly \$720 million in SEED funds obligated as of September, 1994. From the beginning of the program, key aspects of the Polish transition to a viable market economy and democratic civil society such as economic restructuring, private and financial sector development, governmental decentralization, housing sector development, environment and energy, agribusiness, health care, human resources, and strengthened democratic institutions have received extensive U.S. government assistance. After five years, Poland's transformation is firmly on track, despite the 1993 election of a coalition government which has slowed the pace of reform in critical areas.

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\* FMF request includes \$16.475m for Partnership for Peace and \$2.0m for CE Defense Infrastructure.

*EUROPE AND THE NIS*

USAID-administered SEED assistance is focused on overcoming what remains of major impediments to sustainable, long-term economic growth and resilient democracy, building on lessons learned and a strategy that employs the mutually reinforcing objectives of private, public, financial, and democratic sector development.

Poland plays a pivotal role in the region and vigorously seeks membership in NATO and the Western security framework. Poland avidly pursues a broad range of defense cooperation with the U.S., including a variety of training and exchange programs, as well as bilateral and multilateral military exercises. It currently boasts one of the largest and most active IMET programs in the region. We expect that IMET graduates will continue to be assigned to senior positions in the Polish defense establishment.

In FY 1996, we will continue to train Polish defense officials at U.S. facilities in areas such as defense planning, military doctrine, and peacekeeping in order to improve Poland's understanding of U.S. practices and to expand cooperation between our militaries. We will also continue to emphasize English-language instruction for Polish defense officials in order to facilitate multilateral military cooperation among the Polish, U.S., and NATO militaries.

**EFFECTIVENESS MEASUREMENT:**

- Decreased percent of national business assets/securities in state ownership.
- Increased percent of GDP attributable to private sector activities.
- Local and regional government roles and responsibilities clarified and better executed.
- Market reforms introduced to pension and health care systems.
- Improved efficiency, quality and access to health care services.
- Promotion of IMET graduates to senior military or defense ministry positions.

## EUROPE AND THE NIS

## PORTUGAL

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
FMF	1.132	0.000	0.000
IMET	0.500	0.500	0.800

## OBJECTIVES:

- Enhance the Portuguese force modernization effort, thus strengthening Portugal's ability to play an active role in collective defense organizations.
- Reinforce Portugal's Atlanticist orientation by building ties to future military leaders.
- Strengthen Portugal's capability to contribute to international peacekeeping efforts, e. g., in Lusophone Africa.
- Reinforce the existing preference for U.S.-manufactured defense equipment.

## JUSTIFICATION:

At a time of shrinking defense and assistance budgets, both in the U.S. and in Portugal, the IMET program gives the best return of any security assistance investment. Most of Portugal's senior military officers in positions of influence are IMET graduates, as are many of its junior personnel. This training is an essential component of the Portuguese military force modernization program, which is being accomplished almost entirely through the purchase or transfer of U.S.-manufactured equipment. If the Portuguese are to continue to operate and maintain this equipment in support of their NATO missions, IMET is a must. In combination with U.S. military equipment, it works to maintain a pro-American attitude in Portuguese government and society as evidenced by Portugal's close cooperation in NATO and its strong general support for U.S. political goals. More specifically, instances of support include participation in embargo enforcement related to the former Yugoslavia, cooperation in the efforts toward peace in the former Portuguese colonies in Africa, participation in humanitarian relief efforts for Rwanda, and ever ready willingness to host contingency operations at Lajes airbase in the Azores.

## EFFECTIVENESS MEASUREMENT:

- Continued Portuguese cooperation on key issues of European defense, and continued excellent access to Portuguese civilian and military decision-makers.
- Enhanced Portuguese participation in international peacekeeping efforts.
- Continued opportunities for the American defense industry.

## EUROPE AND THE NIS

## ROMANIA

PROGRAM SUMMARY  
(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
SEED		32.520	46.046
FMF	0.000	0.000	13.275*
IMET	0.312	0.465	0.700

## OBJECTIVES:

- Support economic restructuring through assistance to implement market principles and increasing the role of the private sector, particularly in business and agriculture.
- Build democratic attitudes and institutions by enhancing the role of individuals and citizens' groups in guiding public policy and encouraging government accountability through civic education, independent media, developing and strengthening NGOs, and building the administrative capacity of local government.
- Improve the quality of life by helping to restructure health care systems and supporting environmental improvement.
- Support the modernization and professionalization of Romania's armed forces.
- Improve the interoperability of the Romanian defense establishment with the armed forces of the U.S. and NATO.

## JUSTIFICATION:

With 23 million people, Romania is the second largest country in Central Europe. It is situated between two regions of vital interest to the United States, the European Union and the former Soviet Union, and borders on the former Yugoslavia. The United States accordingly attaches great importance to Romania's development as a prosperous, democratic, and stabilizing presence in the region. Beyond its geopolitical importance, Romania--a country endowed with abundant natural resources and an educated and well-trained workforce--has potential to become an important trade and investment partner for U.S. businesses. In late 1993, Congress restored MFN trading status to Romania, and in 1994 a bilateral investment treaty went into effect between the United States and Romania. Romanian cooperation has been crucial to the enforcement of UN sanctions against Serbia, at significant cost to itself.

The SEED program to assist Romania in its transition to a free market economy and democratic government is among the fastest growing programs in the region. The reform process started slowly in Romania, but in 1994, a number of important economic and political reforms were

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\* FMF request includes \$9.275m for Partnership for Peace and \$4.0m for CE Defense Infrastructure.

*EUROPE AND THE NIS*

instituted. The emphasis in the SEED program is shifting to take advantage of and encourage the recent reform efforts of the Romanian Government.

U.S. assistance to Romania began in 1990 with priorities in humanitarian assistance for children and democratic institution building. Since then, resources have shifted to emphasize economic restructuring. Through September 1994, nearly \$110 million in SEED funding has been obligated for Romania, with 55 percent of that total going to promote economic reform.

The Romanian military has earned respect for its Western orientation, contribution to democratic stability and participation in multinational peacekeeping and humanitarian operations. An enthusiastic PFP Partner, Romania actively seeks expanded defense cooperation with the U.S. and its Allies. Romania is an active participant in a range of other cooperative defense activities with us.

IMET will emphasize training of Romanian defense officials at U.S. facilities including defense planning, military doctrine, and peacekeeping in order to improve Romania's understanding of U.S. practices and to expand cooperation between our militaries. We will continue to promote English-language instruction for Romanian defense officials to facilitate multilateral military cooperation among the Romanian, U.S., and NATO militaries.

**EFFECTIVENESS MEASUREMENT:**

- Increasing percent of GDP attributable to private sector activities.
- Greater public access to parliament -- publication of draft laws, open galleries for plenary sessions for all citizens, increased parliamentary communication with constituents.
- Significant improvement in the health of the population.
- Promotion of IMET graduates to senior military or defense ministry positions.

## EUROPE AND THE NIS

## RUSSIA

PROGRAM SUMMARY  
(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
FSA		344.476	260.000
FMF	0.000	0.000	0.000*
IMET	0.471	0.700	1.075

## OBJECTIVES:

- Foster the emergence of a competitive, market-oriented economy in which the majority of economic resources are privately owned and managed.
- Assist Russia's transition to transparent and accountable governance and the empowerment of citizens through democratic political processes.
- Strengthen Russia's capacity to manage the human dimension of the transition to democracy and a market economy.
- Foster the integration of democratic and constitutional political, military and economic principles and values into the Russian defense infrastructure.
- Promote a stable and cooperative military relationship between the U.S. and Russia.

## JUSTIFICATION:

The development of a democratic Russia with a functioning civil society and a market economy is very much in the U.S. interest. Such a Russia can serve as a positive force in world affairs and a constructive partner on a wide range of global issues. The benefits to the United States of a reforming Russia are direct and tangible, including reduced defense requirements, expanded opportunities to market U.S. goods and services to a country of 150 million with enormous pent-up demand, cross-fertilization of scientific and technical knowledge among some of the world's leading scientists and increased cooperation on global environmental issues. Conversely, a Russia in political and economic turmoil would have the potential to destabilize the region and adversely affect a variety of U.S. interests, as would a return to an adversarial relationship. While Russia has made significant strides, much remains to be done. Additionally, the full implications of the crisis in Chechnya are still not clear. We will be watching the situation closely to assess what impact it is having on reform and to make appropriate adjustments to our assistance program.

The success of a transition to a market system is essential for long-term sustainable growth, increased employment and higher living standards. With the successful privatization of a large

\* May receive FMF under the President's Warsaw Initiative, allocations for which will be finalized after further refinement of partner plans for Partnership for Peace participation.

*EUROPE AND THE NIS*

segment of Russian industry, attention has turned to helping create a legal and regulatory climate in which private business can thrive and assisting traditional enterprises restructure along market lines. U.S. assistance is supporting a variety of post-privatization programs and initiatives to spur the growth of private business. A major new initiative has the goal of training a core of Russian management consultants in the course of restructuring selected enterprises which will serve as models. These consultants will carry out these functions on a commercial basis after U.S. assistance ends.

To stimulate the growth of new small businesses, the U.S. is supporting the creation of multi-purpose business development centers, which will provide training and services to small businesses. They are designed to serve as models for replication, and to be operated eventually by trained Russians on a self-financing basis.

Legal advisors will provide advice and training to counterparts in areas such de-monopolization, real estate sales, securities market regulation and banking supervision. Experts will assist the central government improve revenue and expenditure analysis and tax collection, as well as tax administration at the regional and local level.

To help create the conditions necessary to mobilize savings for investment in a modernized economy, U.S. advisors are providing training in capital markets, accounting, reporting and auditing standards, protection of shareholder rights, and bank supervision. USAID will also support investment and trade directly through the Russian-American Enterprise Fund, the Fund for Large Enterprises in Russia and a small loan window managed through the European Development Bank.

In the area of land privatization and agricultural restructuring, U.S. assistance supports pilot projects on land market development to promote secure land tenure and sale of land, prerequisites to investment. U.S. advisors are working with Russian counterparts to institute real estate information systems to permit land titling, transfer, mortgage transfer, zoning, and eventual property taxation. Development of basic land legislation is being assisted. Pilot efforts will also be undertaken to foster privatization and reorganization of state farms and land owned by privatized enterprises.

Work is underway on helping Russia develop options for restructuring the electric power industry on a market-oriented basis and for promoting private investment in modern power generation facilities. Efforts will continue to help Russia improve demand-side energy efficiency.

Environmental assistance is designed to help Russia gain experience in countering the severe health risks from industrial pollution, reducing urban pollution and managing natural resources. Local demonstration of sound environmental practices will lead to models that can be replicated in other regions.

Strengthening of the nascent democratic system is needed to ensure completion of the economic transition and to avert the reemergence of authoritarian abuses which characterized Russia's past.

U.S. assistance is working to support a wide spectrum of democratically oriented political parties and organizations, as well as the election process itself. Political party development and

*EUROPE AND THE NIS*

support to advocacy groups such as labor unions focus on building skills in organizing and public education. Legislative bodies are being strengthened through development of research entities at the federal level, and assistance to regional legislatures will be considered as opportunities arise.

U.S. advisors and professionals-in-residence are helping independents Russian newspapers, television stations and other media groups to achieve the business expertise needed for true economic independence. Future programs will focus on: developing partnership activities between Russian media organizations and American counterparts; fostering linkages between U.S. and Russian journalism schools; and supporting independent wire services.

USAID's assistance to some of the many newly emerging NGOs in Russia is contributing to the development of a democratic society. Ongoing grants and training programs will continue with increasing focus long-term partnerships between Russian and U.S. NGOs, and on effective financial self-sufficiency of grassroots organizations.

USAID will continue to work with the President's office and the Parliament on the next phase of the new Civil Code.

Priority areas for U.S. assistance include strengthening government accountability, and developing a judicial system which will be accessible to individuals and firms and will apply laws fairly, impartially, and efficiently. Cooperation between U.S. and Russian law enforcement agencies is directed toward combating organized crime, traffic in illicit arms and drugs and financial crimes with international implications. U.S. assistance will continue to strengthen judicial institutions through training and continuing education of judges, prosecutors, and other legal practitioners, and through an expanded jury trial program. The jury trial program remains a key vehicle in the reform of the whole criminal justice system.

U.S. legal experts will continue to advise the legislative and executive bodies and which support reform of criminal and civil law. In addition, U.S. assistance will continue to support the parliamentary bodies (the Duma and the Federation Council) in developing the capacity to analyze policy and draft legislation. Ongoing efforts to help develop non-governmental institutions focused on human rights and women's issues will continue.

Collaboration between U.S. technical advisors and three municipal governments (Moscow, Nizhny Novgorod, and Vladivostok) has brought about key local government reforms to make city government more transparent, increase accountability and participation, and upgrade management and administration of service delivery.

Russia's success in managing the human dimensions of political and economic change will have a major effect on the viability and durability of democratic and market reforms. The perception that reforms benefit only a privileged few and harm the social and economic welfare of the average Russian, is creating opposition and backlash to fledgling democratic and market institutions. U.S. assistance must therefore demonstrate that the give-and-take of democracy and an open, market-based economic system can be compatible with adequate delivery of social services and the problems faced by vulnerable population groups.

U.S. assistance supports pilot model efforts in health care financing and service delivery at the local (oblast) level in Siberia. The pilot programs encourage medical providers to focus on

*EUROPE AND THE NIS*

preventive health care, allow consumer choice, and offer quality, cost-effective services on a fee basis with recourse to state subsidies. A special new initiative to support efforts to improve women's' reproductive health is just being launched. Four Russian-American hospital partnerships will continue so that Russian medical personnel can gain experience with modern hospital management and consider new approaches to hospital administration and medical treatment, the essential component of health sector restructuring.

On the housing front, a pilot program on the formation of condominium associations will address the legal framework for condominium ownership and urban apartment buildings. Expectations are that this will be ready for replication to over 100 cities in Russia by 1997. Other legal advisory and consulting services are being supplied with USAID assistance to address the need for a basic urban land code and related implementing laws. Training of real estate professions has been initiated and will continue so that when the legal framework is developed, Russia will have tested both successful models and appropriate people to develop a private residential real estate market. A means-tested housing allowance system is now being experimentally introduced in Moscow and other cities.

The United States has a critical interest in a stable Russian military establishment. IMET for Russia is designed to support U.S. objectives related to reforms within the Russian military that will help consolidate Russia's strengthening of a durable pattern of cooperation with the West. The proposed FY 1996 IMET program for Russia will center on senior service professional military education for military officers and defense resources management training, primarily for civilian defense-related government employees.

For greater programmatic detail of the FY 1996 FREEDOM Support Act request refer also to the USAID FY 1996 Congressional Presentation.

**EFFECTIVENESS MEASUREMENT:**

- Reduction and eventual elimination of subsidized credits to state-enterprises.
- Establishment of an equitable and efficient tax system.
- Enactment by end of 1996 of a code of criminal procedure with guarantees to speedy trial, right to counsel, and due process.
- Increase in proportion of population served by independent, financially sustainable local TV stations.
- Modern clinical practices and market reforms introduced in Russian hospitals result in improved quality of care.
- Increased proportion of housing operating costs covered by rents.

## EUROPE AND THE NIS

## SLOVAKIA

PROGRAM SUMMARY  
(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
SEED		27.450	32.465
FMF	0.000	0.000	5.550
IMET	0.296	0.350	0.525

## OBJECTIVES:

- Foster the continued growth of a competitive, market-oriented economy in which the majority of economic resources are privately owned and managed.
- Build democratic attitudes and institutions by enhancing the role of individuals and citizens' groups in guiding public policy and encouraging government accountability through civic education, developing and strengthening NGOs, and building the administrative capacity of local government.
- Improve the quality of life by helping to restructure health care systems and supporting environmental improvement.
- Improve the interoperability of the Slovak defense establishment with the armed forces of the U.S. and NATO.
- Support the modernization and professionalization of Slovakia's armed forces.

## JUSTIFICATION:

Given its geographic position – directly between Western Europe and the former Soviet Union – Slovakia is critical to the security of Europe, and by extension the U.S. Since its split from the Czech Republic, Slovakia has experienced a difficult economic contraction and continued political uncertainty. The economy now seems on the path of strong growth and macro-stability, but much remains to be done to privatize and restructure its industry, and to strengthen its as yet fragile democratic institutions.

U.S. assistance plays a valuable role in completing the transformation of Slovakia from a communist state to a fully functioning multiparty democracy with a market economy and a Western-leaning military. Worthy of particular note is our assistance through non-governmental channels that fosters the development of political organizations and of independent media.

Additional assistance facilitates education reform, promotes the establishment of multi-voiced media, prepares locally-elected officials to manage city assets, and provides technical assistance for the creation of an independent judiciary. In helping to accelerate the transition to a market

\* FMF request includes \$3.55m for Partnership for Peace and \$2.0m for CE Defense Infrastructure.

*EUROPE AND THE NIS*

conomy, the U.S. lends assistance to restructure enterprises and create a strong banking system, while encouraging the growth of small and medium-sized private enterprises. During the transition period, quality of life issues are important. Our assistance helps in health care finance reform, rationalization of housing, and projects to help workers make the transition to a free market economy.

For greater programmatic detail of the FY 96 SEED request, refer to the USAID FY 96 Congressional Presentation.

Faced with developing its own military since the break-up of Czechoslovakia, Slovakia has chosen to emulate Western models of defense organization, planning, and operations and to seek integration with NATO and Western security structures. As such, it looks to the U.S. to provide its fledgling defense establishment with training, guidance, and equipment.

Our programs continue to play a key role in shaping the newly democratic and evolving Slovak military -- by enhancing the professionalism of Slovak defense officials, training Slovaks in U.S. practices, and exposing Slovaks to the U.S. system of civilian oversight of the armed forces. We will continue to train Slovak defense officials at U.S. facilities in areas such as defense planning, military doctrine, and peacekeeping in order to improve Slovakia's understanding of U.S. practices and to expand cooperation between our militaries. We will continue to emphasize English-language instruction for Slovak defense officials in order to facilitate multilateral military cooperation among the Slovak, U.S., and NATO militaries.

**EFFECTIVENESS MEASUREMENT:**

- Greater democratic participation in the governing process.
- Expansion in number and improvement in quality and independence of the non-governmental media sources.
- Continued growth of private sector share of GDP.
- Promotion of IMET graduates to senior military or defense ministry positions.

## EUROPE AND THE NIS

## SLOVENIA

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
SEED		6.276	4.295
FMF	0.000	0.000	0.400*
IMET	0.113	0.125	0.300

## OBJECTIVES:

- Foster the rationalization and privatization of the financial sector.
- Build democratic attitudes and independent media.
- Improve the interoperability of the Slovenian defense establishment with the armed forces of the U.S. and NATO.
- Support the modernization and professionalization of Slovenia's fledgling armed forces.

## JUSTIFICATION:

Slovenia, the wealthiest and most developed of the ex-Yugoslav republics, is intent on strengthening links to the West. The country is an island of stability in a conflict-ridden region. It has rapidly established a functional democracy with a multiparty political system, a free press, and a mixed presidential/parliamentary form of government. Slovenia leads all of the post-communist countries, with a per capita GDP of over \$6,000 in 1993 and turned the corner economically in 1993, registering growth in that year and in 1994. Slovenia's successful democratic transition and economic transformation, its peacefulness and stability, serve as an example to the other nations of the region. It is strongly in the USG interest to support the consolidation of Slovenia's accomplishments.

The July 1993 Technical Assistance Plan of the Government of Slovenia requested U.S. help in two sectors: reform of the financial and banking sector and the privatization of several key industries. SEED assistance in these areas complements the efforts of other donors and the international financial institutions, and is modest in cost, tightly focused in scope, and of limited duration. In addition, USIA manages several democracy strengthening activities.

Independent only since 1991, Slovenia is creating a military from scratch and is eager to build on its nascent, but expanding security relationship with the U.S. With little experience of its own to draw on, Slovenia welcomes U.S. training programs such as IMET as an effective vehicle for promoting expanded defense cooperation with the U.S. and NATO. Slovenia became the first non-NACC country to join the Partnership for Peace in March and is close to completing its Individual Partnership Program.

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\* FMF request is for Partnership for Peace.

*EUROPE AND THE NIS*

Our programs continue to play a key role in shaping the newly democratic and evolving Slovenian military -- by enhancing the professionalism of Slovenian defense officials, training Slovenians in U.S. practices, and exposing Slovenians to the U.S. system of civilian oversight of the armed forces. In FY 1996, we will continue to train Slovenian defense officials at U.S. facilities in areas such as defense planning and military doctrine. We will also continue to emphasize English-language instruction for Slovenian defense officials in order to facilitate multilateral military cooperation among Slovenian, U.S., and NATO militaries.

**EFFECTIVENESS MEASUREMENT:**

- Progress on reform and privatization of the banking system.
- Increased private sector share of GDP.
- Promotion of graduates of U.S. IMET programs to senior military or defense ministry positions.

## EUROPE AND THE NIS

## SPAIN

## PROGRAM SUMMARY

*(DOLLARS IN MILLIONS)*

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
IMET	0.049	0.050	0.050

**OBJECTIVE:**

- Ensure the continued professionalism and enhance the technical, systems, and management skills among military officers through a Professional Military Education (PME) program.

**JUSTIFICATION:**

A PME program will ensure military professionalism and strengthen technical and managerial skills among Spanish officers. Qualitative improvements among the officer corps, combined with the multiplier effect achieved when PME-trained officers return to Spain, strengthen the entire armed forces structure.

In addition, a PME program will encourage continued close ties between the U.S. armed forces and the Spanish military, increasing support for an extension of the Defense Cooperation Agreement (DCA) and reinforcing the armed forces' transition to an appropriate role in society. A well-trained, modern Spanish armed forces will continue to play constructive roles internationally, such as participating in peacekeeping missions and pressing for better observance of human rights.

**EFFECTIVENESS MEASUREMENT:**

- Positive Spanish military attitudes toward an extension of the DCA.
- Spanish participation in international peacekeeping operations and participation in Partnership for Peace exercises.

## EUROPE AND THE NIS

## SOUTH BALKAN DEVELOPMENT INITIATIVE

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

DESCRIPTION: To provide \$30 million from FY 1996 funds for a U.S. contribution to seed a "South Balkan Development Initiative", a project to promote regional infrastructure development. This program will promote general peace, security and cooperation in the emerging democracies of the volatile Southern Balkan region (Albania, the Former Yugoslav Republic of Macedonia--FYROM, and Bulgaria).

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
SEED	0.000	0.000	30.000

## OBJECTIVES:

- Support regional economic restructuring by providing funding to launch a multilateral effort to promote regional infrastructure development to assist the countries most affected by the sanctions against Serbia/Montenegro and most dependent on Serbian goodwill for access to European markets.
- Support regional integration and promote commercial and cultural cooperation in the Southern Balkan region.

## JUSTIFICATION:

An obstacle to the development of stable democracy and a market economy in the southern Balkan region is the war in the territory of the former Yugoslavia. Sanctions against Serbia/Montenegro have impacted the economies of the region, choking off reliable access to key European markets. Other factors such as the Greek trade embargo toward the Former Yugoslav Republic of Macedonia (FYROM) further complicate the picture.

Ensuring the development of prosperous, democratic states in the Southern Balkans is the surest hedge against instability in the region, as well as potentially in the broader Euro-Atlantic area. Ultimately, regional stability will hinge on preventing the spillover of the current conflict into the front-line states bordering Serbia.

One possible infrastructure project under this initiative is an East-West transportation link to replace the traditional North-South route running through Serbia to stimulate trade among the formerly isolated countries of the region. It would attract substantial containerized traffic bound for Central Asia, avoiding the long circuitous route currently used to get to the Black Sea. The presence of alternate routes would enhance regional stability by depriving some states of the use of their strategic monopolies on existing north-south transport routes as a form of economic blackmail.

*EUROPE AND THE NIS*

Countries in the South Balkan region are also attempting to facilitate privatization and small business development, which elsewhere in the region has been driven by small trading companies. Without secure market access, the activities of these new entrepreneurs and concomitant job creation could be delayed, placing a severe drag on these countries' overall private sector development plans.

The U.S. contribution to such a project will promote U.S. leadership in the region by providing feasibility studies, training and technical assistance that will attract other donors and IFIs. Funds may be needed for other financial vehicles such as loan guarantees. The primary beneficiaries will be the countries of Albania, FYROM and Bulgaria, although most of the countries of south central Europe could benefit from enhanced trade routes.

Due to the large size of any such regional effort, with inputs possibly exceeding \$1 billion, there are significant opportunities for U.S. companies.

**EFFECTIVENESS MEASUREMENT:**

- Significant increase in regional trade and cooperation, especially for Albania and the FYROM.
- International support for an infrastructure project that will provide jobs and will continue to create private sector employment opportunities in a strengthened economy.
- Establishment of a trade route that will outlive the sanctions and embargoes in the region.

## TAJKISTAN

## PROGRAM SUMMARY

*(DOLLARS IN MILLIONS)*

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
FSA		9.230	7.000

## OBJECTIVES:

- Strengthen Tajikistan's capacity to manage the human dimension of the transition to democracy and a market economy, and help sustain the neediest sectors of the population during the transition period.
- Foster the emergence of a competitive, market-oriented economy in which the majority of economic resources are privately owned and managed.
- Assist Tajikistan's transition to transparent and accountable governance and the empowerment of citizens through democratic political processes.

## JUSTIFICATION:

Tajikistan is at a crossroads -- it has survived a bloody civil war which uprooted half a million persons and resulted in tens of thousands of deaths and is now embarked on a UN-brokered peace process with the goal of national reconciliation. The U.S. has an interest in promoting democracy and market reform in this newly independent country and in preventing instability there from spreading through the region. The bulk of U.S. assistance will go to alleviate the humanitarian crisis exacerbated by the civil conflict. Modest technical assistance and training is being provided to encourage and support economic and political reform.

USAID programs focus mainly on responding to emergency and humanitarian needs stemming from the civil war and its aftermath. The need for food and medical emergency information is great in Tajikistan, particularly in the south. USAID funds an array of emergency relief activities involving international organizations and a number of U.S. private voluntary organizations (PVOs). Activities focus especially on food, medicine and shelter.

USAID is supporting local and U.S.-based training in health-care finance, pharmaceutical management, epidemiology and disease surveillance, and women's reproductive health to begin addressing longer-term health system needs. A partnership with an American hospital will soon be established which will focus on improving maternal and pediatric care. The Centers for Disease Control and Prevention will be providing technical assistance to the government to improve public health surveillance systems and response to disease outbreak. Technical assistance will be provided to support sustainable childhood immunization services.

As the peace process moves forward in Tajikistan, increasing focus is being given to long-term development needs. Training efforts in the area of economic restructuring have been useful, but now there is a need to follow that up with a macroeconomic policy advisor who can provide

*EUROPE AND THE NIS*

follow-through and mentoring for returned participants, coordinate with other donors and act as a catalyst for economic reform. USAID will provide a long-term macroeconomic policy advisor to the office of the Prime Minister, supplemented by short-term technical assistance and training in key areas related to fiscal and financial reform. In FY 1996, activities may also include assistance in developing a basic privatization strategy to support the broader macroeconomic effort.

Human rights assistance will focus on the constitution, human rights legislation, and the election law. Several small human rights legal resource centers are planned for Dushanbe and elsewhere to provide information to both the public and to policy makers, and to serve as sites for seminars and other events. A small grants program for nongovernmental organizations (NGOs) will support groups such as the Association of Young Lawyers, the Children's Fund, and NGOs focused on inter-ethnic relations. Following parliamentary elections in 1995, new initiatives will be developed to support the parliament as a check on executive branch power. If support for revising the constitution is requested in the context of peace negotiations, USAID will respond with short-term advisors and training related to constitutional development.

For greater programmatic detail of the FY 1996 FREEDOM Support Act request refer also to the USAID FY 1996 Congressional Presentation.

**EFFECTIVENESS MEASUREMENT:**

- Food, medicine and medical supplies successfully delivered to targeted beneficiaries in a timely manner.
- Improved health surveillance system at the national and oblast levels
- More efficient and effective child immunization and disease control services.
- Growth in the numbers of NGOs supporting human rights.
- Passage of human rights and election law legislation.

## TURKEY

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
ESF	119.978	50.000	100.000
FMF Loan Subsidy (BA)	21.667	28.186	52.888
FMF Loan Amount	[405.000]	[364.500]	[450.000]
IMET	1.006	1.000	1.000
INC	0.400	0.400	0.400

## OBJECTIVES:

- Maintain Turkey's status as a functioning secular democracy with improved standards of human rights observance capable and willing to support U.S. and Western interests in a troubled and strategic area.
- Sustain the support of the Government of Turkey for the Provide Comfort humanitarian relief mission and continuance of the sanctions regime against Iraq.
- Support continued modernization of Turkey's armed forces, in particular the continuation of the Peace Onyx I and II programs for F-16 coproduction.
- Seek to arrange peacekeeping exercises in Turkey to include the participation of states in the Partnership for Peace, and the training of Turkish military personnel in peacekeeping procedures in the United States.
- Encourage the continuation and success of the Turkish Government's austerity reform measures through timely ESF.
- Support the interruption of the flow of illicit drugs through Turkey, the elimination of heroine laboratories, and the prosecution of major traffickers.

## JUSTIFICATION

Turkey stands out as a democratic and secular nation in a region which has few democratic traditions, where Islamic fundamentalism is increasing, and where political instability is commonplace. While Turkey's influence with neighboring nations on specific issues should not be exaggerated, the fact that it is a functioning democracy with a pro-western outlook has a broad and beneficial impact on U.S. interests in the region. As a committed member of NATO, Turkey both strengthens western defenses and offers the potential to extend the reach of the west into an unstable part of the world which has critical oil resources. Over the long-term, Turkey offers both the largest market in the Middle East and a potential regional center for trade and finance. For these reasons, the U.S. has serious political, military and economic interests in maintaining a healthy and friendly relationship with Turkey.

*EUROPE AND THE NIS*

To defend its own borders, as well as to offer assistance to allies, it is imperative for Turkey to have the necessary economic resources and military force structure. If the Turks are unable to continue to modernize and streamline their armed forces, they will find it increasingly difficult, and perhaps ultimately impossible, to assume the necessary security role in the region. Such modernization is also dependent on building a healthier economic base through expanded trade and increased investment by the West.

The loss of grant funding jolted Turkey's defense budget. A few modernization programs are continuing, but many others have been shelved for lack of resources. FY 1996 is the last year of U.S. financing for the critical Peace Onyx F-16 coproduction program. Training not only improves the professionalism of future leaders, but also introduces them to U.S. concepts of the proper role of the military in a democratic society. Economic support funding will help Turkey cope with the IMF austerity program imposed in April 1994. Additionally, training funds should be used in part to provide instruction to Turkish military personnel in peacekeeping techniques.

The Turkish government is keenly aware of its role as a narcotics gateway to Europe, and is working aggressively to diminish both the heroin passing through and that which is processed in country. The Government of Turkey has made particularly effective use of equipment provided to it in the past.

**EFFECTIVENESS MEASUREMENT:**

- Willingness by the Government of Turkey (GOT) to permit the continuation of Operation Provide Comfort and to maintain sanctions against Iraq.
- Successful completion of the final year of financing for the Peace Onyx F-16 coproduction effort and the furtherance of other modernization programs leading to continued GOT willingness to support U.S. area initiatives.
- Turkey's agreement to become further involved in peacekeeping efforts, to host peacekeeping exercises and to send students for training in peacekeeping procedures.
- Continuation by the GOT of its difficult economic reform program, and the success of the program in producing measurable improvements in the economy.
- Increase in the quantity of heroin seized by both Turkish National Police and Customs officials.

<b>TURKEY</b> <b>INC BUDGET</b> <b>(\$000)</b>
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	<u>FY 1994</u>	<u>FY 1995</u>	<u>FY 1996</u>
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**Narcotics Law Enforcement**

<b>Turkish National Police</b>	295	295	295
Vehicles, communications and detection equipment, photographic and other enforcement equipment			
<b>Poppy Surveillance</b>	100	100	100
Vehicles			
<b>Project support</b>	5	5	5
<b>TOTAL</b>	<b>400</b>	<b>400</b>	<b>400</b>

## TURKMENISTAN

## PROGRAM SUMMARY

*(DOLLARS IN MILLIONS)*

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
FSA		5.123	4.000
FMF	0.000	0.000	0.000*
IMET	0.050	0.050	0.225

## OBJECTIVES:

- Assist Turkmenistan's transition to transparent and accountable governance and the empowerment of citizens through democratic political processes.
- Strengthen the capacity to manage the human dimension of the transition to democracy and a market economy.
- Promote a stable and cooperative military relationship between the U.S. and Turkmenistan.

## JUSTIFICATION:

Turkmenistan has made limited progress to date in making the transition from a Soviet-era political and economic system. The U.S. has an interest in preserving Turkmenistan's sovereignty and independence, promoting democratic and market-based reform and adherence to basic human rights, and encouraging business and investment opportunities stemming from Turkmenistan's huge natural gas reserves and agricultural potential. The modest U.S. assistance program has focused on humanitarian assistance and, more recently, on technical assistance and training to support the transition to democracy and a market economy.

USAID training and related activities concentrate on building a new generation interested in democratic values. The small grants program for nongovernmental organizations (NGOs) will take special notice of opportunities for development in Turkmenistan. Turkmen participation in regional training and seminars will also be important.

Indigenous NGOs can potentially provide an important avenue of information and opportunity for citizens to actively and effectively participate in the political and economic life of their country, but few NGOs have been organized in Turkmenistan. USAID will work to encourage development of the legal infrastructure for registration and operation of NGOs. Small grants programs will seek opportunities to assist the establishment of grassroots NGOs, especially in the area of human rights. Support will be provided through organizational advice and assistance.

\* May receive FMF under the President's Warsaw Initiative, allocations for which will be finalized after further refinement of partner plans for Partnership for Peace participation

*EUROPE AND THE NIS*

The Turkmenistan segment of the Aral Sea environmental program also is substantial, involving both a local demonstration potable water project and involvement in regional policy-related activities.

The proposed FY 1996 IMET program for Turkmenistan will center on English language training, which will help prepare Turkmen military personnel to take advantage of future training opportunities.

For greater programmatic detail of the FY 1996 FREEDOM Support Act request refer also to the USAID FY 1996 Congressional Presentation.

**EFFECTIVENESS MEASUREMENT:**

- More effective NGOs engaged in monitoring and advocacy of human rights and rule of law issues.
- Number of local residents benefiting from USAID-funded potable water activity.
- Decreased volume of water used for irrigation in the Aral Sea region.
- Promotion of IMET graduates to senior military or defense ministry positions.

## EUROPE AND THE NIS

## UKRAINE

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
FSA		160.138	159.000
FMF	0.000	0.000	0.000*
IMET	0.600	0.600	0.950

## OBJECTIVES:

- Foster the emergence of a competitive, market-oriented economy in which the majority of economic resources are privately owned and managed.
- Support comprehensive economic reform and restructuring in cooperation with other international donors, the IMF and IBRD.
- Assist Ukraine's transition to transparent and accountable governance and the empowerment of citizens through democratic political processes.
- Strengthen Ukraine's capacity to manage the human dimension of the transition to democracy and a market economy.
- Promote a stable and cooperative military relationship between the U.S. and Ukraine.

## JUSTIFICATION:

The United States has a significant interest in promoting a independent, democratic, non-nuclear Ukraine with a market-oriented economy and a military under civilian control. Ukraine has the second largest population and economy of the New Independent States, and its stability and prosperity is key to a secure and undivided Europe. U.S. assistance programs promote economic and democratic reform and nuclear disarmament. In 1994, Ukraine elected a new president and parliament, began to implement an ambitious economic reform program in conjunction with the IMF, and acceded to the nuclear nonproliferation treaty as a non-nuclear weapon state.

USAID is working at both the local and national levels to assist Ukraine in transferring state enterprises, land and real estate to private ownership and in improving the understanding of how markets function. This includes helping to identify and implement effective strategies to promote popular participation and interest in privatization; technical assistance in structuring and implementing the mass privatization program; support for the development of institutions, legislation, and market structures needed for competitive capital, land and real estate markets that will drive the process of economic restructuring; wide dissemination of information on

\* May receive FMF under the President's Warsaw Initiative, allocations for which will be finalized after further refinement of partner plans for Partnership for Peace participation.

*EUROPE AND THE NIS*

market reform and training on economic issues for key individuals; and assistance with pilot activities such as land privatization and zoning, titling, recording and registration systems.

To promote financial sector reform, USAID's program concentrates on enhancing Ukrainian capacity to develop a viable financial sector, including the establishment of a banker training institute and the provision of equipment and technical assistance to strengthen Central Bank operations.

In the area of energy, in conjunction with the Group of Seven Energy Action Plan, USAID is providing technical assistance to Ukraine to support energy sector restructuring, increase energy efficiency and reliability, improve domestic fuel resources and nuclear safety. USAID activities support the restructuring of the power sector, including the development of a legal, regulatory and tariff framework and the corporatization of thermal power generation companies; introduction of low-cost technology investments for Kiev power-heat plant #5; energy audits and efficiency equipment for industry plants, buildings, and power-heat plants; demonstration of electricity demand-side management; assistance leading to improved utilization of domestic energy resources; and improvement in the operations and safety of nuclear power plants. In environmental areas, USAID is helping Ukraine to restructure its environmental management to meet the needs of a market democracy, including pilot technology demonstration projects, water resource management, strengthening nongovernmental organization (NGO) public information and participation programs and improving environmental information for decision-making.

USAID will provide assistance for the development of business support centers to foster the emergence of private business structures which can operate successfully in a competitive domestic and international market environment. USAID will assist with mass production and dissemination of training materials on new business start-up and operation. The USAID-funded American Business Center will serve as a hub for contacts between American and Ukrainian businesses. The West NIS Enterprise Fund to invest in or loan to new and privatized Ukrainian businesses and joint ventures with American firms. A number of other activities, such as the Farmer-to-Farmer program, Peace Corps, Eurasia Foundation and the agribusiness partnership program are assisting Ukrainians in business development, many of them with American expertise provided on a voluntary basis.

If Ukraine maintains a serious commitment to comprehensive economic stabilization and restructuring, the United States may provide funds for support of structural reform. This support would likely take the form of commodities, commodity transport, and trade or investment credits as Ukraine comes to terms with the International Monetary Fund or the World Bank on structural adjustment loans.

To foster the development of a democratic society with broad-based participation in political and economic life, USAID assistance is geared toward helping to increase public participation in the political process, particularly by assisting political and governing individuals to be more efficient, responsive and accountable; helping to develop the appropriate legal framework that a market-oriented democracy needs to function; and strengthening the capacity of Ukrainian NGOs. Complementary to these activities are training programs targeting high school, undergraduate and graduate students, teachers and faculty, government officials, entrepreneurs and other professionals. USAID will support law enforcement programs and assist criminal

*EUROPE AND THE NIS*

justice reform, including help to combat organized crime, fight financial crime, interdict the flow of narcotics, and reform the criminal justice system.

Ukraine's economic decline has had a dramatic human element. Economic reforms and restructuring of state enterprises can help arrest economic deterioration and encourage foreign exchange flows to purchase critical imports. However, restructuring also will entail transitional social costs such as unemployment and shrinkage of social services delivered by the state.

Given overwhelming needs, USAID is maintaining a clear focus on key activities to help manage the present transition and create working models for the future including: (a) helping Ukraine structure new systems for providing social services appropriate for a market economy; (b) where government policy allows effective collaboration, helping strengthen both state and nongovernmental capacity to carry out critical social service functions; and (c) increasing indigenous nongovernmental capacity to alleviate the present suffering of the neediest groups in the population.

The United States has a significant interest in promoting a stable, independent Ukraine with a market-oriented economy and a military under civilian control. IMET for Ukraine is designed to support U.S. objectives related to the establishment and maintenance of a Ukrainian military confident of its ability to maintain the country's independence, supportive of Ukraine's democratic and economic transition and committed to a durable pattern of cooperation with the West. The proposed FY 1996 IMET program for Ukraine will center on senior service professional military education for military officers and defense resources management training.

For greater programmatic detail of the FY 1996 FREEDOM Support Act request refer also to the USAID FY 1996 Congressional Presentation.

**EFFECTIVENESS MEASUREMENT:**

- Increased percent of gross domestic product (GDP) attributable to private sector activities.
- Increased number of private citizens are investing in securities held by private companies.
- Increased number of viable private commercial banks.
- Adoption of specific policies related to rational energy pricing, competitive markets, private and foreign investment, trade liberalization and environmental protection.
- Courts free of political control and influence.
- Legal protections for press freedom has been put into effect or improved.
- Market reforms are introduced to Ukrainian hospitals and health centers.
- Local governments developed sustained alternative sources of revenue separate from central government and have control over their own budgets.

*EUROPE AND THE NIS*

- Reintegration of IMET participants into the defense infrastructure in positions where the training provided may be applied.

## EUROPE AND THE NIS

## UZBEKISTAN

PROGRAM SUMMARY  
(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
FSA		11.380	11.000
FMF	0.000	0.000	0.000*
IMET	0.000	0.050	0.225

## OBJECTIVES:

- Foster the emergence of a competitive, market-oriented economy in which the majority of economic resources are privately owned and managed.
- Assist Uzbekistan's transition to transparent and accountable governance and the empowerment of citizens through democratic political processes.
- Strengthen Uzbekistan's capacity to manage the human dimension of the transition to democracy and a market economy.
- Promote a stable and cooperative military relationship between the U.S. and Uzbekistan.

## JUSTIFICATION:

Uzbekistan's location and burgeoning population (four of ten Central Asians are Uzbeks) make it the regional heavyweight in Central Asia. Its assumption of a responsible regional role should be encouraged. We also have a unique opportunity, at this early stage in Uzbekistan's nation statehood, to influence its development toward a free-market economy and a open, pluralistic political system. Such a positive direction would brighten the prospects of U.S. business ventures in Uzbekistan, and offer greater assurance of long-term internal stability.

To foster progress towards a market economy, USAID activities will support the design and implementation of a new tax code; development and implementation of pension reform policies; reform of Central Bank procedures to increase independence; and tightened commercial bank supervision and capitalization requirements. Training programs will be a significant component of these activities. Targeted technical advice and training aimed at the overall macroeconomic environment will be considered in support of Uzbekistan's macroeconomic stabilization and economic restructuring programs with the International Monetary Fund (IMF) and the World Bank. The Central Asia Enterprise Fund will provide both loan and equity financing and related technical assistance. The Fund will carry out a small business lending program in Uzbekistan.

Efforts are underway to establish a productive collaboration in areas related to NGO development and human rights. USAID-supported NGO projects will provide organizational

\* May receive FMF under the President's Warsaw Initiative, allocations for which will be finalized after further refinement of partner plans for Partnership for Peace participation.

*EUROPE AND THE NIS*

advice, will help develop the legal infrastructure for NGO operations, and will provide small grants for start-up NGOs.

Improving the delivery and sustainability of core social services is crucial to improving social welfare and building popular support for economic and political reform. USAID will utilize the NIS exchanges and training program to support social sector reform by allowing key individuals to learn first-hand how a broad range of social sector issues are addressed in the United States. Health finance systems will be strengthened by examining alternative options, such as insurance schemes, privatization, or continued public financing of certain services. Work will continue on developing a test market for the commercial sale of contraceptives. A hospital partnership established between two Tashkent hospitals and the University of Illinois Medical Center will promote the introduction of more efficient practices and technologies. The Centers for Disease Control and Prevention will provide technical assistance to the government to improve public health surveillance systems and response to disease outbreaks. Technical assistance will be provided to support sustainable childhood immunization services. Environmental health activities will focus on measuring levels of selected pesticides in the environment, will promote health awareness on pesticide use, and will conduct baseline water quality and epidemiological investigations. As part of the regional Aral Sea Initiative, USAID is helping improve the operation and maintenance of several water treatment plants. In addition to providing laboratory and chlorination equipment, a public health education program will assist in enhancing the public's understanding of water-use issues in the region.

IMET for Uzbekistan is designed to support U.S. objectives related to the establishment and maintenance of an Uzbek military supportive of democratic and economic transition and committed to a durable pattern of cooperation with the West. The proposed FY 1996 IMET program for Uzbekistan will center on English language training, senior service professional military education and visits of U.S. mobile education teams.

For greater programmatic detail of the FY 1996 FREEDOM Support Act request refer also to the USAID FY 1996 Congressional Presentation.

**EFFECTIVENESS MEASUREMENT:**

- New tax code in place.
- Greater independence of the Central Bank.
- Enactment of human rights legislation.
- Strengthened legal and regulatory framework to support health insurance and independence of health facilities and providers.
- More efficient and effective child immunization services.
- Increase in the number of households with access to safe drinking water.
- Reintegration of IMET participants into the defense infrastructure in positions where the training provided may be applied.

## LATIN AMERICA AND THE CARIBBEAN

### PROGRAM DESCRIPTION AND BUDGET REQUEST:

**DESCRIPTION:** The U.S. assistance program provides IMET, ESF, FMF and INC assistance to the countries of the region for the purpose of furthering U.S. interests.

### JUSTIFICATION:

The continued consolidation of the recent gains of democracy, peace, and economic growth in Latin America and the Caribbean will require United States foreign assistance, albeit at a considerably diminished level. The development of a safe, secure, and prosperous hemisphere of democratic governments presiding over free and open market economies is vital for political stability. This hemispheric community vigorously supported the restoration of democracy in Haiti. The Summit of the Americas is another historic example of the political and economic convergence in the region.

The economic and political maturation of the countries of the region, with the notorious exception of Cuba, has required changes to the structure and focus of our security relationships. The region faces several threats. Crime, corruption, and poverty continue to plague societies. Narcotrafficking threatens governments as diverse as Colombia and St. Kitts and Nevis. Economic migrants from Latin America continue to cross U.S. borders.

Relinquishing political power and downsizing the region's militaries is exposing them to new leadership and more appropriate roles. In Argentina, Chile, and Brazil, the military remains under civilian authority and participates actively in international peacekeeping operations. Costa Rica has no military, relying on police forces for its national security. El Salvador is developing a civilian police force. This is not to say that traditional military forces are unnecessary. Colombia, for example, continues to face threats from guerrillas and narcotraffickers. Latin American countries are also vulnerable to terrorists reacting to peace in the Middle East as bombings in Panama and Argentina in 1994 demonstrate. The legacy of past unrest - thousands of landmines - continues to be a problem, maiming and killing innocent civilians. With the Organization of American States in the lead, the regional governments continue to explore means, such as confidence- and security-building measures, to strengthen peace.

IMET and FMF programs assist in developing professional forces that can face these challenges. Many of the region's militaries face shrinking budgets and deteriorating equipment. This situation is especially acute in the smaller nations of the Caribbean, which, despite their resource limitations, contributed significantly to the multinational forces in Haiti. By educating Latin American and Caribbean forces about efficiently managing resources and technical maintenance and logistics, the U.S. helps them maintain operational readiness and capabilities. Foreign military assistance also aids the U.S. military by providing shared doctrines, increasing interoperability, and maintaining the U.S. industrial base. Our assistance programs will allow hemispheric governments to continue to contribute to peacekeeping missions in areas vital to U.S. interests, such as Haiti, in which they would otherwise be unable to participate.

*LATIN AMERICA AND THE CARIBBEAN*

Economic strength has replaced military might as the measure of power and prestige in Latin America. Latin America has become a vital market to U.S. businesses. U.S. exports to the Western Hemisphere have grown from \$30 billion in 1985 to over \$78 billion in 1993, and account for roughly one-sixth of global sales. Capital inflows are three times the levels in the 1980's. Inflation has decreased as have import tariffs. Markets are being deregulated and trade liberalized. Nations are establishing regional trade blocs and seeking to become part of NAFTA. Although growing, Latin American economies need to develop: poverty and marginalization remain widespread and visible disparities of wealth abound. It is estimated that 200 million people live below the poverty line. Maintaining macroeconomic discipline, reforming government structures, and increasing middle class capacity to save and produce are some of the tasks at hand that U.S. ESF will support.

The international narcotics trade is one of the most pervasive and insidious problems we face, and it is particularly acute in Latin America. Drug production and trafficking activities endanger democracy, economic development, and the environment. Driven by both supply and demand forces, the threat must be fought through an integrated global response of enforcement, public awareness/demand reduction, and economic support initiatives. Supporting these efforts is a key component of our assistance programs for Latin America in for 1996. The FY 1996 program reflects our most extensive effort yet to integrate counternarcotics police and military law enforcement activities, drug awareness and demand reduction programs and training, and sustainable economic growth into comprehensive regional and country counternarcotics programs.

**EFFECTIVENESS MEASUREMENT:**

- Improved efforts and institutional infrastructure to reduce drug production, trafficking and use.
- Adaptation to new military roles, including increased collaboration in peacekeeping and improvement in civil-military relations.
- Continued liberalization of the region's economies.
- Continued democratic governance and strengthened democratic institutions.

## LATIN AMERICA AND THE CARIBBEAN

## ARGENTINA

## PROGRAM SUMMARY

*(DOLLARS IN MILLIONS)*

	1994 Actual	1995 Estimate	1996 Request
IMET	0.102	0.100	0.300

## OBJECTIVES:

- Enhance the professionalism of the Argentine defense forces to further Argentina's ability to operate successfully with U.S. and allied forces in peacekeeping and other coalition operations.
- Continue institutionalization of civilian control of Argentine military, defense resource management, and respect for human rights.

## JUSTIFICATION:

Argentina has become one of our most reliable partners in the hemisphere, providing strong and visible support for U.S. policy. Argentina was the only Latin American country to provide forces for the Gulf War and to participate in all phases of the restoration and consolidation of Haitian democracy. Argentina is an active supporter of international peacekeeping, contributing forces to operations throughout the world. The training requested will increase the interoperability of Argentine forces with the U.S. and other allies, and promote closer civil-military.

## EFFECTIVENESS MEASUREMENT:

- Successful U.S./Argentine collaboration in regional peacekeeping and humanitarian activities.

## LATIN AMERICA AND THE CARIBBEAN

## THE BAHAMAS

PROGRAM SUMMARY  
(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
IMET	0.011	0.000	0.100
INC	0.700	0.700	0.700

## OBJECTIVES:

- Preclude use of Bahamian territory and territorial waters for the movement of cocaine or other illicit drugs; controlling money laundering and facilitating the arrest and prosecution of drug traffickers to the fullest extent of the law.
- Discourage drug abuse by supporting local drug abuse control, prevention and education programs.
- Promote the professionalism of the Royal Bahamian Defense Force (RBDF), furthering its interoperability with U.S. and allied forces in peacekeeping and other joint exercises and operations.

## JUSTIFICATION:

Strategically located near Florida, The Bahamas is a major cocaine transit and a significant money laundering country. On the basis of seizure levels, it appears that effective interdiction efforts and local law enforcement and prosecutions, combined with other international narcotics control efforts, have made inroads in reducing the amount of U.S.-destined cocaine passing through The Bahamas. Cocaine seizures in The Bahamas and adjacent international waters in 1993 totaled 1.9 metric tons, dropping year by year from the 1987 high of 12.6 metric tons.

The United States provides assistance to the Royal Bahamas Police Force (RBPF), the Royal Bahamas Defense Force (RBDF), and other Government of the Commonwealth of The Bahamas (GCOB) agencies, to carry out effective drug law enforcement operations. The counternarcotics program also supports judicial enhancement activities to increase the efficiency and effectiveness of Bahamian courts in bringing drug law violators to justice. IMET is also provided for the RBDF.

Drug interdiction cooperation between the United States and The Bahamas is excellent and will remain so. Bilateral cooperation has permitted establishment of a significant interdiction and investigation infrastructure in The Bahamas, involving U.S. aircraft, ships, radar, and personnel. U.S. Coast Guard and Army helicopters assigned to joint interdiction bases in Nassau, George Town, Great Inagua, and elsewhere support Operation Bahamas, Turks and Caicos (OPBAT), an effort by The Bahamas and Turks and Caicos Islands police and DEA to intercept loads of cocaine and conduct investigations. The United States will encourage the GCOB to assume increased responsibility in OPBAT and to take action on tightening money laundering controls.

*LATIN AMERICA AND THE CARIBBEAN*

The narcotics assistance program seeks to strengthen Bahamian agencies engaged in counternarcotics activities, including the RBPF and the GCOB judicial system. It includes support for OPBAT bases, a Joint Information Collection Center (JICC), training and materiel for Bahamian narcotics law enforcement personnel, improvements in the judicial system, and drug awareness and demand reduction efforts.

The Bahamian government has insufficient resources to simultaneously train and maintain its small defense force. Providing IMET enhances prospects for continued close bilateral military cooperation. During 1994, the Bahamian government has permitted U.S. military forces to conduct exercises in Bahamian territory. The Bahamas is actively participating in multinational peacekeeping operations in Haiti.

**EFFECTIVENESS MEASUREMENT:**

- Increase the effectiveness of the combined counternarcotics operations of the U.S., The Bahamas, and Turks and Caicos Islands (OPBAT);
- Improve the capabilities of the Bahamian law enforcement agencies by increasing the efficiency and effectiveness of criminal justice institutions; enhance money laundering controls; reduce drug abuse and increase intolerance of drug trafficking.
- Increase the number of operational patrol craft.
- Successful U.S./Bahaman collaboration in regional and international peacekeeping activities.

## LATIN AMERICA AND THE CARIBBEAN

<b>THE BAHAMAS INC BUDGET (\$000)</b>
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	FY 1994	FY 1995	FY 1996
<b>Narcotics Law Enforcement</b>			
Commodities:	80	80	75
Vehicles, technical equipment, spare parts			
Training	25	25	25
Other Costs:	200	125	115
Repair and maintenance, fuel, boat support, operating costs			
Subtotal	305	230	215
Judicial Reform	150	175	175
Drug Awareness/Demand Reduc	50	100	100
<b>Program Development and Support</b>			
U.S. Personnel:			
Direct-hire (1)	110	110	115
Contract (2)	40	40	50
Other Costs:			
Foreign Affairs Administrative Support	5	5	5
Program Support	40	40	40
Subtotal	195	195	210
<b>TOTAL</b>	<b>700</b>	<b>700</b>	<b>700</b>

## LATIN AMERICA AND THE CARIBBEAN

## BELIZE

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
IMET	0.050	0.040	0.250

## OBJECTIVES:

- Promote continued regional stability by supporting further professionalization of the Belize Defense Force (BDF).
- Support BDF involvement in peacekeeping operations.

## JUSTIFICATION:

Belize, a Westminster-style democracy since its independence from Great Britain in 1981, has held four national elections since then which have resulted in three peaceful changes of government. Belize has served as a valuable example to other nations in the region, volunteering to contribute military personnel to both the United Nations Mission in Haiti (UNMIH) and the Multinational Force (MNF) for Haiti. On January 1, 1994, Great Britain turned over responsibility for the physical security of the country to the Belize Defense Force (BDF). In September 1994, Britain withdrew its garrison in Belize.

An improved BDF will permit Belize to control its side of the common border with Guatemala, an important confidence-building measure. This will assuage Guatemalan concerns that the disputed territory could be used by Guatemalan guerrillas and/or narco-traffickers, contributing to the stability of both governments and encouraging continued peaceful attempts to resolve the dispute.

## EFFECTIVENESS MEASUREMENT:

- Continued involvement by the BDF in international peacekeeping operations.
- Effective monitoring and control of its side of the border with Guatemala.
- Continued cooperation with the U.S. on countering narcotics trafficking and illegal immigration.

## LATIN AMERICA AND THE CARIBBEAN

## BOLIVIA

PROGRAM SUMMARY  
(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
ESF	24.995	11.750	0.000
FMF	2.967	2.829	0.000
IMET	0.439	0.350	0.500
INC	16.100	13.000	60.000

## OBJECTIVES:

- Promote strong, cohesive democratic institutions of government capable of stopping narcotics production and trafficking in Bolivia.
- Establish and encourage sustained economic growth and reduce the effects of the drug trade on the economy of Bolivia.
- Strengthen and improve the efficiency of the Bolivian criminal justice system.
- Promote a politically neutral military and help professionalize it by providing training in logistics and resource management.

## JUSTIFICATION:

Bolivia is the world's second largest producer of illicit coca and the second largest producer of refined cocaine. Coca cultivation rose by four percent in 1993 from the previous year after three years of steady decline. An estimated 47,200 hectares were cultivated in 1993, as compared with 45,500 hectares in 1992. Most cultivation is in the Chapare Region.

The United States supports improvements in ground, air, and riverine law enforcement counternarcotics operations; chemical control efforts; investigations and prosecutions of major drug traffickers; improved counternarcotics intelligence gathering and dissemination; programs to control the transport and marketing of legal coca; and reduced coca cultivation and processing. US assistance efforts are designed to strengthen the Bolivian judicial system, develop economic alternatives to the coca industry, and help the Government of Bolivia to meet its international financial obligations and to stabilize its economy. IMET is provided to the Bolivian military to encourage its continued professionalization.

The Narcotics Law Enforcement projects strengthens the civilian police units which conduct counterdrug law enforcement operations and the military units which support them. Most funding within this project targets agencies of the Ministry of Government and special units under the Ministry of Defense which support efforts of the police. The primary counternarcotics law enforcement entity is the Special Force for the Fight Against Narcotics Trafficking (FELCN), with its uniformed interdiction force, the Police Rural Mobile Patrol

*LATIN AMERICA AND THE CARIBBEAN*

Units (UMOPAR), and the investigative branch, the urban narcotics police. Special prosecutors of controlled substances are assigned to the units. In coca control, DIRECO performs coca eradication and DINACO monitors coca considered legal under Bolivian law. The Bolivian military provides transport to the police by air, land, and river. Three Bolivian Air Force units, including the Red Devils Task Force helicopter unit, provide air transport for joint UMOPAR/DEA interdiction operations. The Bolivian Navy has four task groups, known as the Blue Devils Task Force, which monitor riverine traffic for drugs and chemicals in coordination with UMOPAR. The Army Green Devils Task Force provides ground mobility and logistical support to the police.

The counternarcotics law enforcement program for FY 1996 is designed to expand the Government of Bolivia's responsibility for directing and financing counternarcotics efforts. The program will sustain UMOPAR and assist counternarcotics police units operating on the frontiers and in strategic cities. A primary objective of law enforcement operations is to disrupt the transport and sale of illegal coca leaf for a sustained period, resulting in devalued and unstable coca leaf prices. This then encourages farmers to move from coca cultivation to other income opportunities afforded by the Sustainable Development Project.

The successful institution-building efforts of the waterways law enforcement program will continue. The Bolivian Navy now has four task groups developed, equipped, and trained with USG counternarcotics funds, located in Trinidad, Puerto Villarroel, Riberalta, and Guayaramerin. The waterways program has increased the Navy's operational tempo while developing a Bolivian-sustainable training academy.

In coca control, program funds will be used to help DIRECO carry out the ongoing eradication program conducted primarily by seeking out coca growers to enroll in the program for voluntary, Government of Bolivia-compensated eradication of coca. We will assist DINACO in continuing its road checkpoints throughout the Chapare, as well as joint night patrols with UMOPAR to disrupt the transport of illicit coca. DINACO will continue to work towards a system to identify and track shipments of coca which are legal under Bolivian law.

**The Sustainable Development Project** seeks to promote counternarcotics-related development opportunities in the Chapare coca-growing area, in Cochabamba, and elsewhere in Bolivia. The project goal is to support a shift from the dependence on coca cultivation by providing incentives for the development of income-earning alternatives for coca farmers. It includes subprojects to expand electrical service to parts of the Chapare region, promote Bolivian exports, and support macroeconomic balance-of-payment obligations through cash transfer to the GOB. Local currency generated through cash transfer supports GOB participation in sustainable development.

For FY 1996, the sustainable development program will continue to promote broad-based economic growth led by the private sector by creating an attractive climate for foreign trade and investment. Alternative development projects will continue, such as the development of alternative crops and improved farm practices, and the construction or upgrading of farm-to-market roads. A subproject of electrification for alternative development will develop the Bolivian capability to plan, construct and sustain electrification projects for rural areas.

**The Judicial Reform Project** is designed to promote an efficient and fair judicial system in Bolivia as a fundamental element of a strong democracy. For 1996, one subproject will

*LATIN AMERICA AND THE CARIBBEAN*

continue the process of strengthening investigative, prosecutorial, and judicial human resources, and improving case tracking and administrative management. A second subproject will continue to enhance the effectiveness of Bolivian drug prosecutors by providing training and equipment to them.

The **Program Development and Support Project** provides administrative support and salaries for 19 direct-hire and contract personnel in the Embassy's Narcotics Affairs Section.

**IMET:** The Bolivian military remains a significant force in the country, despite budget and resource reductions. Command, control, and communications capabilities in the Bolivian armed forces are lacking. Long-term logistical/maintenance planning is virtually unknown. U.S. IMET, both in logistical and resource management and in civil-military affairs, has provided Bolivian military personnel exposure to well-organized, professional operations and training; has reinforced the importance of civilian command and oversight of the armed forces in a democracy; and has encouraged a more modern armed forces structure in view of resource constraints. The FY 1996 request for IMET assistance will provide training on improving civil-military relations and respecting human rights and democratic values, as well as courses in military professionalism and defense management.

**EFFECTIVENESS MEASUREMENT:**

- Eradicate coca in Bolivia beyond that authorized for legal use while helping create viable, licit income-earning alternatives for coca producers.
- Arrest and prosecute major drug traffickers.
- Interdict and seize cocaine and other illicit coca derivatives, precursor materials, and assets of the coca trade.
- Increase the Bolivian population's awareness of the dangers of drug abuse and trafficking to Bolivia's economy and society.
- Continued Bolivian armed forces support for civilian leadership despite the severe resource and training shortages faced by the military.
- Assignments of U.S. IMET graduates to positions of command.

## LATIN AMERICA AND THE CARIBBEAN

**BOLIVIA**  
**INC BUDGET**  
**(\$000)**

	1/ FY 1994	FY 1995	FY 1996
<b><i>Narcotics Law Enforcement</i></b>			
Ground Operations Support ( FELCN, UMOPAR, Urban Narc Police, DIRECO and DINACO)	7,506	6,279	12,000
Air Operations Support ( Red Devils Task Force and Other Police Air Support Units)	6,011	5,350	8,000
Riverine Operations Support (Blue Devils Task Force)	1,800	1,000	2,500
Field Support ( Commodities, training, vehicle support facility field project offices and support staff)	1,800	1,000	1,800
Subtotal	<u>17,117</u>	<u>13,629</u>	<u>24,300</u>
<b><i>Sustainable Development</i></b>			
Alternative Development	25,000	5,000	15,000
Macroeconomic Initiatives	<u>0</u>	<u>5,000</u>	<u>15,000</u>
Subtotal	25,000	10,000	30,000
<b><i>Drug Awareness and Demand Reduction</i></b>			
Training, surveys, commodities, workshops	300	500	0
<b><i>Judicial Reform</i></b>			
	0	0	4,000
<b><i>Program Development and Support</i></b>			
<b>U.S. Personnel:</b>			
Direct-hire (4)	575	600	600
Contract /Pit (4)	90	90	90
<b>Non-U.S. Personnel:</b>			
Direct-hire (3)	260	225	225
Contract (8)	125	135	135
<b>Other Costs:</b>			
Foreign Affairs Administrative Support	225	250	250
Program Support	<u>375</u>	<u>400</u>	<u>400</u>
Subtotal	1,650	1,700	1,700
<b>TOTAL</b>	<b>1/ 44,067</b>	<b>25,829</b>	<b>60,000</b>

1/ Totals include INC, Military and Economic counternarcotics funding.

## LATIN AMERICA AND THE CARIBBEAN

## BRAZIL

PROGRAM SUMMARY  
(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
IMET	0.096	0.100	0.200
INC	0.400	0.600	1.000

## OBJECTIVES:

- Improve the institutional capabilities of the Federal Police to disrupt the activities of major trafficking organizations, interdict illegal drugs and control precursor chemicals;
- Improve the effectiveness of Brazilian organizations working to reduce drug abuse and decrease the domestic demand for drugs.
- Develop political support for narcotics control in Brazil by political leaders, decision makers, and key public figures.
- Enhance the professionalism of Brazil's armed forces to further their ability to operate with U.S. and allied forces in peacekeeping and other efforts to enhance international peace and security.

## JUSTIFICATION:

As Latin America's diplomatically and economically most powerful country, Brazil is a major factor in regional political and security matters, including global issues of concern to the U.S. such as nonproliferation and counternarcotics. In 1994, Brazil ratified the Quadripartite Safeguards Agreement, providing for full-scope nuclear safeguards, and the Treaty of Tlatelolco, providing for a nuclear free zone in Latin America.

Brazil is a significant transit country for cocaine en route from Bolivia, Peru, and Colombia to the U.S. and Europe. It manufactures and imports large amounts of the chemicals used in cocaine production, and these chemicals are being diverted illegally to the Andean countries. Colombian and Bolivian traffickers appear to be making more use of Brazilian transit routes and are establishing cocaine refineries there. Coca is cultivated in remote, inaccessible areas of the Amazon Basin. Most of the marijuana grown in Brazil is consumed locally, and no export to the U.S. has been noted. Domestic drug abuse is increasing.

Most USG counternarcotics funding provides equipment and training for the Brazilian Federal Police (DPF), which has primary responsibility for drug law enforcement. This year the U.S. and other missions in Brasilia that are members of an informal consultative group of donors, called the Dublin Group, worked more closely to coordinate assistance and diplomatic initiatives. The attention of the new Cardoso administration to the growing narcotics problem and its support for counternarcotics enforcement will be crucial to the success of Brazilian counternarcotics efforts in 1995.

*LATIN AMERICA AND THE CARIBBEAN*

The Brazilian armed forces are redefining their role; IMET will be used to promote peace and regional security, strengthening ties with the Brazilian military. The Brazilian military wants a close, but formal, relationship with the U.S. military and has a keen interest in improving its capability to participate in multilateral peacekeeping operations, a mutual goal. Returning graduates from U.S. service schools have proven to be extremely valuable to the Brazilian military, multiplying the effect of their training by developing new training courses for their colleagues.

**EFFECTIVENESS MEASUREMENT:**

- Successful Federal Police investigations of major cartel operations, interdictions of cocaine shipments and arrest and prosecution of traffickers.
- Implementation and funding for good project proposals submitted by local demand reduction organizations through the National Drug Council (CONFEN).
- Greater GOB political will by continuing to encourage bilateral and multilateral counternarcotics discussions.
- Successful Brazilian collaboration in UN peacekeeping operations, continued respect for civilian control of the military, and continued respect for human rights.

## LATIN AMERICA AND THE CARIBBEAN

<b>BRAZIL INC BUDGET (\$000)</b>
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	FY 1994	FY 1995	FY 1995
	<u>        </u>	<u>        </u>	<u>        </u>
<b>Narcotics Law Enforcement</b>			
Commodities:	150	100	330
Vehicles, boats, radios, support equipment			
Training	0	120	200
Other Costs:			
Operational support, travel, per diem, dog kennel facilities	0	50	100
Subtotal	<u>150</u>	<u>270</u>	<u>630</u>
Drug Awareness/Demand Reduct	0	50	50
<b>Program Development and Support</b>			
U.S. Personnel:			
Direct-hire (1)	120	130	145
Contract (1)	10	20	30
Non-U.S. Personnel:			
Contract (1)	20	25	30
Other Costs:			
Foreign Affairs Administrative Support	65	70	75
Program support	35	35	40
Subtotal	<u>250</u>	<u>280</u>	<u>320</u>
<b>TOTAL</b>	<b>400</b>	<b>600</b>	<b>1,000</b>

## LATIN AMERICA AND THE CARIBBEAN

## CARIBBEAN REGIONAL PEACEKEEPING FUND

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
FMF	0.000	0.000	3.000

## OBJECTIVES:

- Maintain a regional coalition supportive of U.S. policy objectives.
- Maintain readiness to participate in regional and international peacekeeping efforts.
- Promote regional solutions to security-related issues and responses to natural disasters.
- Provide needed funding to maintain material readiness and interoperability with U.S. Forces.

## JUSTIFICATION:

Caribbean nations have traditionally been strong allies of the U.S. They worked closely with the U.S. in the recent efforts to restore the legitimate regime in Haiti. Caribbean countries formed the CARICOM battalion, which was one of the building blocks of the Multinational Force (MNF). They have agreed to continue on when UNMIH takes over from the MNF. The CARICOM battalion has been one of the principal components in the success of the U.S.-led coalition effort in Haiti. Countries contributing to the battalion include: Belize, Guyana, Jamaica, Trinidad, Antigua and Barbuda, Barbados, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent.

The latter seven nations also comprise the Regional Security System (RSS). The RSS states are highly vulnerable to internal security problems and natural disasters, and frequently unite to respond to threats to regional and internal stability. In late 1994, St. Kitts experienced narco-trafficking-related assassinations of a prominent police inspector and the deputy Prime Minister's son. The RSS responded to contain a subsequent prison riot in St. Kitts. The RSS has also been called upon for disaster relief.

The success of the CARICOM contributions is a direct result of past U.S. assistance programs. FMF and IMET assistance to this region over the years has allowed countries to sustain and maintain small, professional military forces; the best soldiers make the best peacekeepers. Because of this, the U.S. was able to recruit, train, and deploy the CARICOM units quickly. One of the lessons learned from recent peacekeeping experiences is the necessity to improve the capabilities of other countries and regional organizations to conduct peace operations, reducing the over-reliance on U.S. forces and resources. The limited funding proposed will help maintain individual Caribbean and regional peace capabilities as well as help provide interoperability with U.S. military forces in joint operations.

*LATIN AMERICA AND THE CARIBBEAN*

FMF will satisfy legitimate military assistance needs to support the RSS and other missions essential to regional peace and stability (disaster relief, border security, counternarcotics, and peacekeeping). RSS and other CARICOM participants lack the economic means to fully fund their security forces training, equipment, and operational requirements. FMF will be used to improve communications capabilities, purchase small arms, vehicles, spare parts, and maintain existing U.S.-supplied equipment. FMF is especially vital for the continued operation of the RSS. Without U.S. assistance, the RSS will suffer a reduction in readiness, the regional maritime forces will cease to operate, and the RSS will become extinct in five years.

**EFFECTIVENESS MEASUREMENTS:**

- Continued support for U.S. policies in the region.
- Ability to participate in peacekeeping operations.
- Enhanced security in the Caribbean.
- Sustained/upgraded natural disaster response capability.
- Improved drug interdiction.

## LATIN AMERICA AND THE CARIBBEAN

## CHILE

PROGRAM SUMMARY  
(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
IMET	0.097	0.100	0.300

## OBJECTIVES:

- Enhance the professionalism of Chile's armed forces and contribute to Chile's operational compatibility with U.S. and allied forces in UN peacekeeping and other coalition operations.
- Promote the consolidation of Chile's democracy and respect for civilian control of the military.

## JUSTIFICATION:

The U.S. and Chile have excellent bilateral relations. Chile is an important economic partner and key diplomatic ally in international fora, particularly in support of human rights and democracy. Chile also plays a role in international peacekeeping.

With its free market economy, commitment to free trade, and peaceful return to democracy, Chile is a natural model for other developing nations and has been invited to join NAFTA. Consolidation of Chilean democracy and respect for civilian control of the military is important to broader U.S. interests in promoting democracy and peace well beyond our bilateral relationship.

The Chileans have taken full advantage of direct military training offered by the United States, sending their brightest and best to U.S. courses, and can be expected to continue to do so in the future. Graduates of these courses have put to good advantage new skills, and occupy mainstream leadership and technical positions in all three services.

## EFFECTIVENESS MEASUREMENT:

- Successful U.S./Chilean collaboration in international peacekeeping activities.
- Continued progress on civil/military relations and human rights performance.

## LATIN AMERICA AND THE CARIBBEAN

## COLOMBIA

PROGRAM SUMMARY  
(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
ESF	1.022	0.000	0.000
FMF	7.700	10.000	0.000
IMET	0.900	0.600	0.900
INC	20.000	19.000	35.000

## OBJECTIVES:

- Strengthen host nation capabilities to disrupt and ultimately dismantle major drug trafficking organizations.
- Destroy the cocaine processing industry and stop the diversion of licit chemicals into illicit channels.
- Eliminate the cultivation of opium poppy, coca leaf and marijuana.
- Promote internal and regional stability through improved operational counterterrorism/counternarcotics readiness, protection of human rights, development of sound defense resource management skills, and professionalization of the military.
- Provide enhanced interoperability with U.S. military for combined operations.

## JUSTIFICATION:

The United States provides assistance to Colombia to counter the drug trafficking threat to its security, political system and economy; and to disrupt the cocaine trafficking infrastructure through investigation, evidence-gathering, arrest, prosecution, asset seizure, and other law enforcement actions. IMET is provided to Colombia's armed forces. This budget continues implementation of the President's decision to consolidate international counternarcotics law enforcement and military funds into a single account.

In FY 1996, counternarcotics assistance will continue for the Directorate of Anti-Narcotics (DIRAN) and other Colombian National Police (CNP) elements, as well as military units supporting DIRAN efforts, to sustain and improve investigative capabilities, take action against trafficking organizations, and destroy illicit crops. As a comprehensive counternarcotics law enforcement program, emphasis will be placed on enhancing the planning and tactical capabilities of the CNP and other security units. Project activities will include judicial protection, enhancement of military counternarcotics actions, assistance to the Department of Administrative Security, infrastructure support, and public awareness and education.

The primary goal in Colombia is to eliminate the drug cartels. Advances toward that goal have been made with the virtual elimination of the Medellin cartel. Continued GOC raids on

*LATIN AMERICA AND THE CARIBBEAN*

trafficker operations have given authorities valuable information from which to further attack Cali cartel activities which have supplanted those of the Medellin cartel since 1993. The DIRAN has seized over 225 metric tons of cocaine products since 1990 and arrested or killed many drug traffickers. The DIRAN has eradicated approximately 23,000 hectares of opium poppy since February 1992. In FY 1996, the DIRAN will continue a broad scale coca eradication program.

Support to the CNP and military counternarcotics units are subproject activities of the **Narcotics Law Enforcement Project**. The CNP will remain the principal GOC recipient of our counternarcotics assistance to Colombia. By FY 1996, the DIRAN, an independent brigade-sized narcotics intelligence gathering and interdiction force, will be increased to over 3,000 personnel. This will include a small DAN headquarters staff, 18 interdiction companies, 20 intelligence groups, and an aviation service of 68 aircraft.

The GOC plans to increase aviation support for the CNP aviation branch in FY 1996. The expected increase in flight hours, maintenance, and other operational and support costs will meet the continued demands on aviation resources to sustain the successful opium poppy eradication program and the coca eradication program initiated in FY 1994. Aviation support will also assist cocaine interdiction operations.

In FY 1996, the GOC will continue a strategy to establish four DIRAN geographical zones, each with three to five companies and dedicated aircraft. Each regional zone commander will have the authority to deploy units and direct airlift and support equipment without obtaining approvals from headquarters in Bogota. Improving existing forward operating bases and adding new locations will increase security and operational effectiveness. As a result of the GOC's increased capabilities to collect intelligence data, heliports will be strategically placed throughout the country to enable timely heliborne deployments against narcotics targets. This project will also fund avionics, flight gear, vehicles and maintenance, night vision equipment, field gear, intelligence equipment, and aviation and other training.

Assistance to military units will be directed to those activities supporting the CNP's counternarcotics efforts. The Colombian Air Force will receive helicopter support and training as well as parts and maintenance for its fleet of 25 UH-1H helicopters. Additional support will be given to the Air Force's fixed wing C-130 units and OV-10 and A-37 aircraft that support counternarcotics operations, primarily in isolated and unsecured areas of the country. The Colombian Navy and its Marine branch will continue a counternarcotics campaign on the rivers and the coast. To sustain the important military contribution to the counternarcotics effort, equipment and training will be provided to the Colombian riverine and Coast Guard Harbor Patrol programs. Commodities include patrol boats for the Coast Guard and boats and spares for Marine riverine units. Spare parts, maintenance packages, and training for members of the Coast Guard and Marines will be provided. The Army will receive much-needed communications and global positioning equipment as well as vehicles.

The **Department of Administrative Security (DAS) Project** will help the GOC to attack the cocaine trafficking infrastructure by providing computer and data collection equipment used in drug and money laundering investigations. The DAS, Colombia's equivalent to the FBI, Secret Service, and INS, monitors movements of aliens, controls personnel movement through ports of entry, and is the GOC host agency for Interpol. It also has investigative authority for drug

*LATIN AMERICA AND THE CARIBBEAN*

and money laundering cases. We will provide modest support for the DAS's Interpol office and its asset seizure office.

The **Infrastructure Support Project**, created in 1992, enhances the GOC's public profile on implementation of a vigorous anti-drug campaign. The GOC established a counternarcotics policy board, the National Council of Dangerous Drugs (NCDD), comprising key cabinet ministers such as those for Defense and Justice, the directors of the DAS and the CNP, and others. A permanent NCDD research staff issues and recommends, coordinates and monitors counternarcotics policy. NCDD is also the GOC's point of contact for the international donor community. In FY 1994, the NCDD was instrumental in acquiring full GOC approval to use herbicides to aerially eradicate coca cultivations.

The NCDD will receive basic support, including personnel, communications upgrades, information management systems, and help for council and staff members to attend and sponsor international meetings to foster contact with counterparts in donor and trafficking/producing countries. This project will also support other infrastructure development activities in the offices of the Attorney General and the Prosecutor General and surveys on improvements in customs and port security.

The **Judicial Protection Project** will provide training for security personnel, armored vehicles, and communications equipment to enhance security for the judges involved in prosecuting alleged narcotics violators in the five public order courts.

The **Drug Awareness and Demand Reduction Project** will help the Colombian government and private organizations assess drug abuse through periodic surveys and share this information at seminars and other meetings. This project will publicize to government officials, opinion makers and the general public the threat of illegal drugs to Colombian society. It will also communicate the national interest benefits to a populace that confronts and maintains pressure on traffickers and other lawbreakers. Activities include forming public awareness campaigns using all media, collecting and disseminating substance abuse data, publishing and distributing educational literature, and sponsoring key Colombian figures to attend national and international conferences.

**Program Development and Support** funds will provide for salaries, benefits and allowances of permanently assigned U.S. and foreign national personnel, short-term TDY assistance, and other general administrative and operating expenses for program planning, design, implementation, monitoring and evaluation.

**IMET.** Colombia has demonstrated a serious commitment to creating democratic institutions to promote a society that respects the rule of law and recognizes the subordinate role of the military to civilian rule. The new Colombian administration has committed itself to promoting universally accepted principles of human rights. The IMET assistance requested will assist the Colombians in achieving these goals. IMET training is also aimed at addressing technical and professional deficiencies among the mid-level officer and enlisted ranks throughout the services, allowing them to respond more effectively to internal instability which has escalated to a level that threatens regional stability. Professional military education results in forums for cross-pollination of democratic ideals among Colombian military and civilian personnel, especially in the area of human rights. Technical training courses will provide the Colombian military the ability to carry out more effective search and rescue operations and humanitarian

*LATIN AMERICA AND THE CARIBBEAN*

assistance, and to continue successful logistical, quality control and on-the-job safety consciousness.

**EFFECTIVENESS MEASUREMENT:**

- Increased operational effectiveness of the Colombian National Police Anti-Narcotics Directorate.
- Improved drug eradication in Colombia (in priority order: opium poppy, coca and cannabis) using herbicides applied aurally (e.g. for coca and opium poppy).
- Strengthened Colombian judicial system to overcome corruption and intimidation and expedite proceedings/trials against drug traffickers.
- Seized assets of, and disrupted money laundering by, major traffickers.
- Increased government and public awareness of how drug production, trafficking and abuse damages Colombian society.
- More efficient execution of military missions, especially in humanitarian/search and rescue/civic action exercises; better human rights performance; greater counternarcotics cooperation; improved civil/military relations; and improved logistical support and resource budgeting and management.

## LATIN AMERICA AND THE CARIBBEAN

**COLOMBIA  
INC BUDGET  
(\$000)**

	1/	FY 1994	FY 1995	FY 1996
<b>Narcotics Law Enforcement</b>				
<b>Colombian National Police</b>				
Commodities:		12,200	10,800	10,500
Aircraft parts, tools, avionics, and other equipment; radios, vehicles, field and investigative equipment				
Training: Aviation, tactical, intelligence		1,200	1,600	2,000
Other Costs:		3,850	3,500	4,000
Aircraft operations, contract personnel, forward base construction, U.S. advisors, project support				
Subtotal		<u>17,250</u>	<u>15,900</u>	<u>16,500</u>
<b>Military Counternarcotics Support (Army, Air Force, Navy, and Marines)</b>				
Commodities		5,700	7,500	9,900
Training		1,000	1,200	2,000
Other Costs		1,000	1,300	3,100
Subtotal		<u>7,700</u>	<u>10,000</u>	<u>15,000</u>
<b>Department of Administrative Security</b>		300	300	600
Radios, investigative equipment, training, maintenance, POL, travel				
<b>Judicial Protection</b>		0	200	200
<b>Judicial Reform</b>		1,000	0	0
<b>Infrastructure Support</b>		300	300	400
Radios, computers, training, operational support				
<b>Drug Awareness and Demand Reduction Program Development and Support</b>		300	300	300
<b>U.S. Personnel:</b>				
Direct-hire (4)		640	690	690
Contract (4)		185	190	190
<b>Non-U.S. Personnel:</b>				
Direct-hire (3)		60	70	70
Contract (27)		235	280	280
<b>Other Costs:</b>				
Foreign Affairs Administrative Support		115	120	125
Program support		615	650	645
Subtotal		<u>1,850</u>	<u>2,000</u>	<u>2,000</u>
<b>TOTAL</b>	<b>1/</b>	<b>28,700</b>	<b>29,000</b>	<b>35,000</b>

1/ Totals include INL, Military and Economic Counternarcotics funding.

## LATIN AMERICA AND THE CARIBBEAN

## COSTA RICA

**PROGRAM SUMMARY**  
(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
IMET	0.101	0.050	0.150

**OBJECTIVES**

- Promote peace and stability in Central America by supporting Costa Rica's critical political role as a moderating influence in the region and as an example of a successful free market democracy.
- Support continued professionalization of Costa Rican security forces.

**JUSTIFICATION:**

Costa Rica has been an important regional friend and an historic and practical example of the viability of democratic governance for Central America. The country is a stable, free-market democracy which respects human rights and the rule of law. Costa Rica has no military, relying on police forces for its national security. Given Costa Rica's traditional ambivalence towards its national police, however, criminal groups including narcoterrorists may increasingly seek to operate within that country's open, pluralistic society. The new government is committed to police professionalization – one of our key bilateral goals. IMET helps strengthen Costa Rica's ability to protect public order and mount counternarcotics operations.

**EFFECTIVENESS MEASUREMENT:**

- Increase in security-related expenditures, leveraging U.S. assistance for continued Costa Rican attempts to upgrade national security.
- Implementation of the police professionalization law and further development of the Academy for the Civil and Rural Guards, partially financed by the USG through IMET, demonstrating Costa Rican commitment to police professionalization.
- Increase in the retention of U.S.-trained personnel when they return to Costa Rica, leveraging U.S. training funds for long-term police improvement.

## LATIN AMERICA AND THE CARIBBEAN

## DOMINICAN REPUBLIC

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
FMF	0.300	0.000	0.000
IMET	0.308	0.200	0.500

## OBJECTIVES:

- Promote professionalism of the Dominican military, including respect for human rights and civilian control of the military.

## JUSTIFICATION:

The IMET request is divided between Professional Military Education courses (PME), directed at promoting support for U.S. objectives among flag officers, and technical training, which recently has focused on maintenance and repair of Dominican naval assets.

In contrast to many Latin American countries, civilian control of the military is firmly established in the Dominican Republic. The threat to the armed forces' professionalism is that poorly-paid, low-status military officials will abandon professional and ethical standards in favor of the temptation to profit monetarily from a military position. This problem has been dramatized over the past year by reports of military collusion to violate the Haiti embargo. Less well-known, but equally dramatic are the returns of the bare-bones military assistance program in enforcing the embargo. For example, an IMET-trained officer earned the praise of the U.S. military for working out the framework for the joint Dominican-U.S. coastal patrol in support of the Haiti embargo.

The assistance program proposed for 1996 is the minimum calculated for maintaining continuity. The Dominican military leadership faces a generational shift over the next several years making IMET more important than it has been in the last twenty years. Provision of U.S. assistance is contingent upon the resolution of the disputed 16 May 1994 elections according to international norms.

## EFFECTIVENESS MEASUREMENT:

- Continued professionalization of the Dominican armed forces.
- Entry of IMET graduates into positions of leadership and influence.

## LATIN AMERICA AND THE CARIBBEAN

## EASTERN CARIBBEAN

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
FMF	0.390	0.000	0.000
IMET	0.239	0.200	0.300

## OBJECTIVES:

- Maintain a regional coalition supportive of U.S. policy objectives.
- Promote regional stability via inter-island solutions to security-related issues and responses to natural disasters.
- Enhance RSS management and technical skills and interoperability with U.S. forces.

## JUSTIFICATION:

The Regional Security System (RSS) is a defense organization comprising all seven Eastern Caribbean states. The RSS states are highly vulnerable to internal security problems and natural disasters, and frequently come together to respond to a threat. In late 1994, St. Kitts experienced narcotrafficking-related assassinations of a prominent police inspector and the deputy Prime Minister's son. The RSS responded to contain a subsequent prison riot in St. Kitts.

IMET is vital for the continued operation of the RSS. Without U.S. assistance, the RSS will suffer a reduction in readiness, the regional maritime forces will cease to operate, and the RSS will become extinct in five years. This will adversely affect U.S. goals of peace and stability in the region. Although the organization's participating states lack the economic means to fully fund its training, equipment, and operational requirements, they are active participants and take their membership seriously.

## EFFECTIVENESS MEASUREMENT:

- Continued support for U.S. policies in the region.
- Enhanced security for the Eastern Caribbean.
- Improved drug interdiction.
- Improved ability to participate in peacekeeping operations

## LATIN AMERICA AND THE CARIBBEAN

## ECUADOR

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

**PROGRAM SUMMARY**  
(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
FMF	0.130	0.000	0.000
IMET	0.379	0.300	0.400
INC	0.500	0.500	0.850

## OBJECTIVES:

- Developing institutional capabilities to interdict illegal drugs and precursor chemicals, prosecute traffickers, seize drug assets, and reduce money laundering.
- Improving intelligence collection, processing, and dissemination against major trafficking organizations.
- Promoting public awareness and education about drugs.
- Improving the professionalization of the Ecuadoran military through emphasis on defense resource management and civilian control of the military.

## JUSTIFICATION:

Ecuador is a significant transit country for drugs and essential chemicals and a locus for drug money laundering. Ecuador eradicated most coca cultivation in the 1980's and has no tradition of coca use. Narcotics kingpins appear to be trafficking approximately 30 metric tons of cocaine per year through loosely-monitored Ecuadoran ports and road networks. Drug traffickers also take advantage of weak banking laws to launder and protect their illicit proceeds. The recent ambush and massacre of a national police riverine patrol by a guerrilla group, allegedly involved in drug trafficking, on the Colombian border has stimulated a comprehensive Government of Ecuador (GOE) review of how to address the threat posed by the drug trade to the people, economy, and sovereignty of Ecuador.

The GOE has centralized drug enforcement in the Narcotics Police; established a police intelligence center, a financial investigations unit and chemicals unit; and legislated a drug control role for the military. To build on police successes in dismantling several narcotics trafficking groups tied to Colombian drug kingpins and to improve regional cooperation, the Ecuadoran military has agreed to relocate a radar site to cover a key air corridor in the Oriente favored by drug traffickers transiting Ecuadoran air space. Information on suspected drug trafficker air traffic in the corridor would be provided to Colombian authorities.

The GOE through its National Drug Council (CONSEP) has developed a national drug strategy; passed laws to criminalize and control trafficking in illicit drug plants, drugs, and

*LATIN AMERICA AND THE CARIBBEAN*

chemicals; conducted (with USG assistance) a money laundering threat assessment; and developed procedures between the Superintendency of Banks and the police, which enable the police to conduct more effective money laundering investigations. CONSEP, with U.S. assistance, is conducting a study to determine the extent of licit and illicit use of precursor chemicals in Ecuador and how to control such chemical trafficking.

The Customs Police have completed training and consolidated two dog programs into a unified detector dog program in which dogs and guides conduct more effective mobile roadblock operations.

Ecuador signed an asset sharing agreement in 1994 and cooperated with Switzerland and the U.S. in the prosecution of Jorge Hugo Reyes-Torres, a major narcotics trafficking kingpin tied to the Colombian Cali Cartel. The GOE is striving to make further progress in the Reyes-Torres case. When the GOE makes such progress, cooperating authorities will likely be willing to share such assets again.

In FY 1996, the U.S. will continue to work closely with the GOE to develop a greater emphasis on **Narcotics Law Enforcement** projects. Support will be given to the Attorney General's office through the national police, customs, military, and the national drug council.

The **National Police Project** will focus on strengthening the Interpol Police law enforcement capability, continue to improve police skills and performance, and support a police counternarcotics training center. The center will provide counternarcotics training for police anti-drug personnel, and fund courses and seminars for military counternarcotics personnel and other public agencies. Police counternarcotics units will also receive field equipment, international training opportunities, and technical guidance from mobile training teams. Customs activities will focus on acquiring additional detector dogs and training for guides, as well as sophisticated search equipment to employ in air and seaports and along border areas.

The GOE, through the Attorney General's Office initiative, will receive anti-corruption training for judges, particularly those located in outlying provinces, and training in prosecution techniques.

The **National Drug Council Project** will emphasize ministerial-level drug coordination efforts, including money laundering efforts; asset seizure and storage; control and monitoring of precursor and essential chemicals; and drafting of related counternarcotics laws and procedures. Funding for a database to track information, training, conferences and seminars, as well as office equipment, will help the council address these many tasks.

The **Drug Awareness and Demand Reduction Project** will be increased to complement USAID, USIS, and UNDCP drug prevention and education programs by offering travel, conference and seminar support, research, and other assistance to ensure that the public remains aware of the dangers of drug abuse.

**Program Development and Support** funds will provide salaries, benefits and allowances of U.S. and foreign national personnel, short-term TDY assistance, and other administrative and operating expenses for program planning, design, implementation, monitoring and evaluation.

*LATIN AMERICA AND THE CARIBBEAN*

**IMET:** U.S. military assistance in Ecuador focuses on professionalization through IMET. Professionalizing Ecuador's military reinforces concepts such as the role of the military in a democratic society and civilian control over the armed forces, and also helps to achieve our antinarcotics goals. The proposed program focuses on professional military education and management and technical training. Military professionalization sustains economic reform in Ecuador by encouraging military activities to focus on purely military objectives as opposed to military-controlled or influenced economic ventures which potentially displace more vibrant private sector activity.

**EFFECTIVENESS MEASUREMENT:**

- Enhancement of Ecuadoran counternarcotics law enforcement capabilities, development of a precursor chemical control program, increased effectiveness of prosecutors, and establishment of procedures to control money laundering.
- Establishment of a police intelligence training program and intelligence center.
- Establishment of community-based drug abuse prevention programs and increase Ecuadoran public awareness of the dangers of drug abuse.
- Emergence of the military as a professional, non-political class responsible to executive and legislative branches for budget and selection of top officers.
- Assignment of U.S. IMET graduates to leadership and command positions.

## LATIN AMERICA AND THE CARIBBEAN

<b>ECUADOR</b> <b>INC BUDGET</b> <b>(\$000)</b>
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	FY 1994	FY 1995	FY 1996
<b>Law Enforcement</b>			
Commodities:	25	25	75
Vehicles, radios			
Training	-	25	75
Other Costs:			
Maintenance	25	25	25
Operational support	50	25	100
U.S. contract field advisor	100	110	100
Subtotal	200	210	375
<b>National Drug Council</b>	-	-	125
Vehicles, computer equipment, training, operational support			
<b>Drug Awareness/Demand Reduc</b>	70	50	75
<b>Program Development and Support</b>			
U.S. Personnel:			
Direct-hire (1)	135	135	145
Contract (1)	25	25	30
Non-U.S. Personnel:			
Direct-hire (1), Contract (2)	20	25	25
Other Costs:			
Foreign Affairs Administrative Support	20	25	35
Program support	30	30	40
Subtotal	230	240	275
<b>TOTAL</b>	500	500	850

## LATIN AMERICA AND THE CARIBBEAN

## EL SALVADOR

## PROGRAM SUMMARY

*(DOLLARS IN MILLIONS)*

	1994 Actual	1995 Estimate	1996 Request
ESF	44.291	16.000	0.000
IMET	0.400	0.400	0.450

**OBJECTIVES:**

- Implement and consolidate democratic reforms enunciated in the 1992 peace accords.
- Institutionalize democratic civil-military relations, including civilian control of a politically neutral military.
- Promote continued Salvadoran military restructuring, including participation in peacekeeping missions.

**JUSTIFICATION:**

After 12 years of brutal civil war, El Salvador's armed factions signed peace accords in 1992 which provided the basis for substantial social, political and economic reforms that will transform Salvadoran political culture and society. U.S. support in FY 1996 will continue to support the ultimate consolidation of these reforms into enduring democratic institutions and precepts, including respect for basic human rights of all citizens.

The requested FY 1996 military assistance package will support professional military education and other IMET to advance reforms ensuring El Salvador's military is a politically neutral, competent force appropriately subservient to the elected government and observant of human rights. This assistance will promote the military's continued restructuring from a counterinsurgency force to one focused on territorial defense and other appropriate missions, including peacekeeping.

**EFFECTIVENESS MEASUREMENT:**

- Greater transparency in military appropriations and decision-making, particularly in resource management and promotions.
- The military defines new role, adapts institutions accordingly, and polices self effectively.
- The military accepts the guidance and leadership of the elected government.

## LATIN AMERICA AND THE CARIBBEAN

## GUATEMALA

## PROGRAM SUMMARY

*(DOLLARS IN MILLIONS)*

	1994 Actual	1995 Estimate	1996 Request
ESF	0.300	2.000	0.000
IMET	0.036	0.200	0.250
INC	2.000	2.500	2.550

**OBJECTIVES:**

- Complete and implement peace accords and make successful transition to peace.
- Support efforts of the GOG to reduce cocaine trafficking from and through Guatemala to the U.S., and reduce opium production and discourage cultivators from renewing opium production.
- Develop an effective civilian narcotics law enforcement agency and improve judicial handling of narcotics cases.
- Increase public awareness of the dangers of drug production and abuse.
- Improve civilian control over the military and respect for human rights.
- Prepare the military for new peacetime roles and missions.

**JUSTIFICATION:**

The USG is committed to assisting Guatemala to end the insurgency, continuing democratic and economic development, and improving adherence to internationally recognized human rights standards. IMET is requested to assist in improving the Guatemalan military's adherence to human rights standards and to strengthen civil-military ties. Counternarcotics assistance to the Government of Guatemala is provided to improve its interdiction and eradication capabilities, and to continue U.S./Guatemalan cooperation on a variety of counternarcotics activities, including law enforcement, crop eradication, and demand reduction.

The provision of IMET allows continued engagement with the Guatemalan military on issues of human rights and promotion of civil-military relations. Additionally, training in areas such as resource management and strategic planning would help provide the tools for the military's adjustment to peace.

The two major narcotics threats in Guatemala are cocaine transshipments to the U.S. and opium production. Substantial amounts of cocaine transit Guatemala en route to the U.S. The Government of Guatemala (GOG) and the U.S. cooperate on a variety of counternarcotics activities, including law enforcement, crop eradication, and demand reduction.

*LATIN AMERICA AND THE CARIBBEAN*

The GOG does not possess a radar system able to track trafficker aircraft nor the means to intercept them. Nevertheless, with assistance from the U.S. the GOG seized or controlled seven metric tons of cocaine in 1993. Combined USG-GOG air and ground operations eradicated most of the opium poppy cultivation in Guatemala during 1992 and 1993. Growers planted new fields in the 1993-1994 growing season.

A joint USG-GOG law enforcement/interdiction effort, called Operation Cadence, began in July 1991. Its goals are to sharply increase interdiction of cocaine transiting Guatemala, dismantle trafficking organizations, and arrest traffickers.

The **Cocaine Interdiction Project** supports Operation Cadence and other law enforcement efforts by Guatemalan authorities. From summer 1993 through summer 1994, Cadence attained a 100 percent interdiction rate against aircraft suspected of smuggling drugs.

Most of the opium poppy in Guatemala is cultivated in small plots hidden in steep, narrow, high-mountain valleys near the Mexican border. Using air assets in tandem with the cocaine interdiction project, the **Aerial and Manual Eradication Project** supports U.S.-owned and operated aircraft which aerially eradicate large amounts of opium poppy and smaller amounts of marijuana cultivated in remote areas. In addition, the project assists manual eradication efforts by the GOG. In 1993, 426 hectares of opium poppy and 200 hectares of marijuana were eradicated using three T-65 Thrush spray planes, four helicopters, and one Caravan transport aircraft. Guatemalan Treasury Police officers provide security and search-and-rescue.

The **Narcotics Law Enforcement Project**, initiated in 1991, has sponsored the organization, training, and equipping of new narcotics control units in the Guatemalan Treasury Police. These units carry out missions in the areas of: manual eradication; airmobile interdiction (as part of Operation Cadence); port control; investigations; riverine operations; and roadblocks/land interdiction and inspection. This project also supports development of the Joint Intelligence Coordination Center (JICC), the canine unit with eight dogs at the Guatemala City International Airport, and the chemical control office.

The **Drug Awareness and Demand Reduction Project** uses various media to show that narcotics cultivation, trafficking and drug abuse harm Guatemalan society as well as the health of Guatemalan citizens.

**FY 1996 Program.** The key to a successful counternarcotics policy is the flexibility to take the initiative against the traffickers who respond with considerable resources and ingenuity. The **Narcotics Law Enforcement Project** will help the GOG upgrade existing counternarcotics units and organize, train, and equip other Treasury Police units for interdiction and eradication responsibilities. The GOG will provide continued training and support to units engaged in riverine/coastal patrol, airmobile support and interdiction, roadblocks and land interdiction, and inspection units (including canine-equipped) at ports and airports. The project will also help the GOG improve the headquarters section, expand the activities of both the public relations office and the new narcotics investigation squad, and continue operations of the JICC and chemical control office.

The program in Guatemala has been highly successful in recent years in eradicating opium poppy cultivation. From a peak of 2,000 hectares planted in 1990, cultivation in 1993 was

*LATIN AMERICA AND THE CARIBBEAN*

down to negligible levels. The **Aerial and Manual Eradication Project**, which is funded jointly with the Cocaine Interdiction Project, will provide fuel for the U.S. aircraft engaged in eradication (the Bell-212s as well as the T-65 Thrush and Cessna Caravan) and other operational costs such as herbicide, ground support equipment, field rations, and communications and photographic equipment.

The **Cocaine Interdiction Project** will maintain a credible response to trafficking threats, despite some retrenchment due to FY 1994 budget cuts. To support Operation Cadence, four or five U.S. Bell 212 helicopters carry GOG Treasury Police and U.S. law enforcement advisors to suspected trafficking sites; the same aircraft will perform opium eradication missions. The project will fund operational support, such as fuel and other operating costs for the aircraft and crews.

**Drug Awareness and Demand Reduction** activities will focus on various media publications and presentations to inform Guatemalan citizens how drug trafficking and abuse harm their society. These activities also promote better implementation of effective narcotics legislation.

**Program Development and Support** funds will provide salaries, benefits and allowances of U.S. and foreign national personnel, short-term TDY assistance, and other administrative and operating expenses for program planning, design, implementation, monitoring and evaluation.

**EFFECTIVENESS MEASUREMENT:**

- Increased number of U.S.-trained military and civilian personnel in positions of influence.
- Notable success with civilian and military-initiated reforms.
- Increased institutional capability within the Treasury Police, the GOG's lead counternarcotics law enforcement agency for cocaine interdiction, opium poppy eradication, and prosecution of drug traffickers.
- Enhanced degree of drug awareness, demand reduction, and counternarcotics expertise developed among prosecutors, public health, media, and educational institutions.

## LATIN AMERICA AND THE CARIBBEAN

<b>GUATEMALA</b> <b>INC BUDGET</b> <b>(\$000)</b>
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	FY 1994	FY 1995	FY 1996
<b>Narcotics Law Enforcement</b>			
Commodities: Field Gear, Computers, V Vehicles, Communication and Investigative Equipment, etc.	200	350	350
Training	100	125	125
Operational Support	100	125	120
Subtotal	400	600	595
<b>Aerial and Manual Eradication</b>			
Commodities: Radios, cameras, field equipment.	250	250	250
Other Costs:			
Aviation fuel	300	400	400
Herbicides	150	200	200
Operational support	185	300	300
Subtotal	885	1,150	1,150
<b>Cocaine Interdiction</b>			
Operational Support			
Aviation, vehicle, and boat fuel	200	200	200
Other support	50	50	50
Subtotal	250	250	250
<b>Drug Awareness/ Demand Reduc</b>	100	100	150
<b>Program Development and Support</b>			
U.S. Personnel:			
Direct-hire (1)	105	110	115
Contract (1)	10	20	20
PIT (1)	10	15	15
Non-U.S. Personnel			
Direct-hire, contract (2)	25	25	25
Other Costs:			
PASA support	105	110	110
Foreign Affairs Administrative Support	30	35	35
Program support	80	85	85
Subtotal	365	400	405
<b>TOTAL</b>	<b>2,000</b>	<b>2,500</b>	<b>2,550</b>

## LATIN AMERICA AND THE CARIBBEAN

## GUYANA

PROGRAM SUMMARY  
(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
ESF	1.000	0.000	0.000
FMF	0.180	0.000	0.000
IMET	0.005	0.075	0.150

## OBJECTIVES:

- Assist the government of Guyana to maintain internal stability and the integrity of its borders.
- Assist Guyana Defense Force (GDF) readiness to participate in regional peacekeeping and defense of democracy operations.

## JUSTIFICATION:

Guyana's democracy is still fragile; in 1992 the first free and fair elections since before independence were held. The new democratic government needs a reliable, apolitical security force to ensure internal stability. Guyana's land borders with Brazil, Suriname and Venezuela cover a large area which is difficult to patrol. A well-trained military could interdict drug traffickers, smugglers of contraband and terrorists. Although not a member of the Eastern Caribbean's Regional Security System (RSS), the GDF takes part in the annual RSS Tradewinds training exercise. Guyana was an active participant in the restoration of Haiti's democratic regime, contributing personnel to the CARICOM battalion.

The IMET program will consist of grants to provide military professional and technical training for GDF officers and enlisted men. The purpose of the training is to sustain the professional outlook of the GDF as a security force subject to civilian government control. Training in resource management and administration will be useful.

## EFFECTIVENESS MEASUREMENT:

- Continued ability of the GDF to participate in regional and international peacekeeping operations.
- Maintenance of a proper civil/military relationship and human rights performance.

## LATIN AMERICA AND THE CARIBBEAN

## HAITI

PROGRAM SUMMARY  
(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
ESF	21.830	79.900	90.270
FMF	0.000	3.000	7.000
IMET	0.000	0.000	0.400

## OBJECTIVES:

- Implementing and consolidating transition from military to civilian rule following Haitian return to democracy, including creation of an apolitical, civilian police force and an independent judiciary, as well as the formation of a democratic political culture free of violent intimidation.
- Support economic reform and recovery of Haiti's economy after the ravaging effects of the military government and the embargo; create economic opportunities for marginalized sectors of society -- including employment opportunities, and encourage long-term sustainable development.
- Institutionalize democratic civil-military relations, including civilian control of a small, restructured, professional, politically neutral military, should the Government of Haiti decide to retain armed forces.

## JUSTIFICATION:

With the restoration of President Aristide and the legitimately elected Haitian Government, the United States is leading a multilateral effort to promote long-term sustainable economic development and to establish firm foundations for Haiti's fragile democracy. The United States and other international donors have pledged over \$1 billion to support Haiti reconstruction. Assistance to Haiti's democracy will strengthen institutions such as the police, legislature, and the judiciary; improve the efficiency of the executive branch; strengthen government and grass roots organizations at the local level to encourage full participation in the democratic process; and encourage respect for human rights.

The FY 1996 assistance package will support:

**Economic and Social Reform:** The U.S. is committed to promoting economic growth and sustainable development in Haiti not only as a means to meet humanitarian needs but also to encourage long-term political stability that could result from a revitalized Haitian economy. The economic challenge for the future is formidable. Haiti has taken the step of clearing accumulated arrears and begun negotiations for international financial institution assistance necessary for economic revitalization. Balance-of-payments assistance is also needed. The proposed aid program provides assistance to the Haitian government to help it generate

*LATIN AMERICA AND THE CARIBBEAN*

revenue. U.S. funding will also focus on creating opportunities for marginalized sectors of society. Budget support will be needed to ensure the basic essential services expected of responsive democratic governments, as well as to ensure adequate funding for the newly created police force. U.S. aid is necessary to stimulate private sector-led growth.

**Humanitarian Assistance:** U.S. assistance is required to alleviate the suffering of disadvantaged Haitians through direct feeding and health service programs. Assistance will also be directed to educational programs. These funds will leverage other donor efforts.

**Establish National Police Force/Restructure Military:** The U.S. and the international community have begun the creation of a civilian Haitian National Police Force. It will be accountable, efficient and responsive to civilian control. Should the Haitian Government decide it wishes to have armed forces, FMF and IMET will contribute to the formation of a smaller, professional, restructured Armed Forces of Haiti, which is politically neutral, and loyal to the civilian government, and would observe human rights standards. IMET is also requested for human rights and civil-military relations training for both civilians and security force personnel.

**EFFECTIVENESS MEASUREMENT:**

- **Short-term:** Identification of development and health projects. Greater respect for individual rights within the court system and training of civilian National Police officers. Establishment of programs designed to increase employment among the marginalized and restoration of basic public services.
- **Mid-term:** Judicial reforms adopted and implemented, greater responsiveness of state institutions to citizen demands; increased health service delivery and expanded basic education programs; free and fair elections with high voter participation levels, peaceful transition of power. National civilian police deployed, exert their role, and win citizen cooperation and support for their efforts. Non-intervention by the military, should it be retained by the Government of Haiti, in politics, after the departure of UN forces in 1996. Decline in human rights violations. Unemployment and underemployment levels decrease.
- **Long-term:** Government resources allocated on basis of transparent criteria with broader consideration of citizens' needs and desires. Judicial system responds to legal norms rather than political pressures, and does not grant de facto impunity to any sector. Human rights and democratic freedoms are broadly respected. Democratic events such as debates, elections, union activities, and political protests are held without fear of intimidation or reprisal. The police and military, should the Haitian Government retain a military, accept the guidance and leadership of the elected government.

## LATIN AMERICA AND THE CARIBBEAN

## HONDURAS

PROGRAM SUMMARY  
(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
IMET	0.524	0.325	0.400

## OBJECTIVES:

- Continue the professionalization of the Honduran Armed Forces (HOAF) and improve its resource management.
- Promote respect of the Honduran defense forces for civilian authority, and respect for human rights.

## JUSTIFICATION:

Honduras has made progress in securing and consolidating democratic institutions. It has held credible, transparent, free and fair multi-party elections since the early 1980s. It has a free and open press and free trade union associations.

The Reina administration has made significant inroads into extending civilian authority over the military. Well-focused training through management and professional military education programs for middle-grade officers will help prepare for the generational change to come. Training is also proposed in logistics and personnel management. The requested assistance will continue the professionalization of the Honduran military.

## EFFECTIVENESS MEASUREMENT:

- Increased readiness of Honduran forces, improved ability to manage resources, and improved maintenance levels.

## LATIN AMERICA AND THE CARIBBEAN

## JAMAICA

PROGRAM SUMMARY  
(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
FMF	0.300	0.000	0.000
IMET	0.201	0.170	0.450
INC	0.600	0.600	1.000

## OBJECTIVES:

- Conduct a full range of drug law enforcement operations throughout Jamaica.
- Arrest and prosecute major Jamaican traffickers.
- Inform Jamaicans about the dangers of drugs and the threat narcotics trafficking poses to their country.
- Maintain Jamaican Defense Force (JDF) readiness to launch migrant interdiction operations and respond to natural disasters.
- Promote JDF readiness to participate in regional peacekeeping operations and its interoperability with U.S. forces.

## JUSTIFICATION:

Jamaica is a vital U.S. ally in the region and is active and influential among Caribbean states. It was one of the first countries to permit USG off-shore processing of Haitian migrants; this example of leadership was instrumental in encouraging others to follow suit. The Jamaican Defense Force (JDF) is one of the most capable and credible military forces in the area. Jamaica is participating in multinational peacekeeping operations in Haiti and offered to participate in others. Jamaica was instrumental in the formation and deployment of the CARICOM battalion operating as part of the Multinational Force in Haiti. The JDF is also supporting the Jamaican Constabulary Force (JCF) in its efforts to reduce crime in tourist areas and Kingston. The capabilities of the JDF result in no small way from past U.S. assistance.

The IMET program will enhance logistics management and technical maintenance skills of JDF forces to keep old equipment functional. IMET will enhance Jamaican interoperability with U.S.-furnished equipment and forces, thus promoting JDF ability to participate in regional peacekeeping operations

Through assistance to the JCF, JDF, and other Government of Jamaica (GOJ) agencies, the USG assists the GOJ to carry out effective drug law enforcement operations. We also support the GOJ drug awareness program. A related USAID development program is beginning the fourth year of a five-year Administration of Justice program aimed at improving the justice system, and the Department of Justice provides training and curriculum development help to

*LATIN AMERICA AND THE CARIBBEAN*

increase professional capabilities in the JCF through the International Criminal Investigative Training Assistance Program.

Jamaica, favorably situated for cocaine trafficking from South America to the United States, is also a traditional source of marijuana for U.S. markets. Jamaica's airstrips, ports and offshore waters offer many opportunities for traffickers. There is evidence that cocaine traffickers are using Jamaica's well-established marijuana networks to ship cocaine. Money laundering does not appear to be a major problem, although removal of foreign exchange controls in September 1991 could tempt money launderers. Production and transit of essential chemicals in Jamaica are negligible.

An enhanced extradition treaty between the United States and Jamaica, which entered into force in July 1991, has greatly increased the number of Jamaicans extradited to the United States, to the point where Jamaica is now one of our most active extradition partners in the region. By late 1993, seven extradition cases were active and twenty more pending, including several for drug traffickers. The United States is seeking Jamaican ratification and implementation of a mutual legal assistance treaty ratified by the United States in 1992. In 1994, Jamaica passed asset seizure and forfeiture legislation. The United States is now encouraging GOJ passage of money laundering laws and ratification of the 1988 UN Convention.

The JCF Narcotics Unit, the major Jamaican counterdrug law enforcement group, cooperates with DEA and other law enforcement agencies. The United States has provided extensive training and equipment to the JCF Narcotics Unit, the Contraband Enforcement Team, and the Port Security Corps, including an innovative program of integrity training for customs personnel. Jamaica's Joint Information Coordination Center (JICC), established with USG funding, is the keystone of the GOJ's anti-narcotics data collection and analysis effort. In 1993, JICC information was responsible for seizures of 1,553 kilograms of marijuana in Jamaica, and 4,950 kilograms of hash oil and 405 kilograms of cocaine in the United States. Also as a result of JICC-Kingston data, 120 persons were arrested on drug charges, and 3 more on murder charges. In 1993, total drug seizures by the GOJ included 160 kilograms of cocaine, 69 metric tons of marijuana, and 177 kilograms of hash oil. It arrested 73 suspected drug traffickers, of whom 61 percent were Class I or II violators by DEA criteria.

**FY 1996 Projects.** The **Narcotics Law Enforcement Project** has two aspects: support GOJ efforts to adopt and implement narcotics control legislation and to ratify and implement the 1988 UN convention and our bilateral Mutual Legal Assistance Treaty; and provide assistance to Jamaican drug law enforcement activities. Training for law enforcement and judicial personnel is a major aspect of the project. Material assistance to GOJ law enforcement activities will consist mainly of spare parts, maintenance, operational support, and some replacements for equipment previously provided. We will support expansion of JICC operations, including provision of upgraded equipment and advanced training. Continuance in FY 1996 of a substantial funding level will permit the GOJ to undertake the intensity of drug law enforcement activities necessary to permit sustainable development in this struggling economy.

The Jamaican public is poorly informed about drug abuse and its consequences, about what their government is doing about drugs and why, and about the international dimensions of the narcotics problem. We will work with the GOJ to increase awareness through the **Drug Awareness and Demand Reduction Project**. US Government-funded survey results will be

*LATIN AMERICA AND THE CARIBBEAN*

used to concentrate resources on the groups most vulnerable to drug abuse. The GOJ, the National Council on Drug Abuse, the Jamaica Information Service, and community action organizations will conduct activities to increase public awareness of the overall drug problem in Jamaica and its effects on the country. They will also build political support for a more assertive GOJ counternarcotics policy.

**Program Development and Support** funds will provide for salaries, benefits, and allowances of permanently assigned U.S. and foreign national personnel, short-term TDY assistance, and other general administrative and operating expenses for program planning, design, implementation, monitoring and evaluation.

**EFFECTIVENESS MEASUREMENT:**

- Increased capabilities of Jamaican drug law enforcement and judicial personnel and expand their bases of operation to additional sites around the country.
- Increased number of major Jamaican traffickers arrested and brought to justice.
- Increased awareness among Jamaicans of the dangers of drug use and the threat narcotics trafficking poses to their country.
- Increased JDF participation in regional migrant interdiction and peacekeeping operations.
- Improved JDF responses to civil disturbance and natural disasters.

## LATIN AMERICA AND THE CARIBBEAN

<b>JAMAICA</b> <b>INC BUDGET</b> <b>(\$000)</b>
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	FY 1994	FY 1995	FY 1996
<b>Narcotics Law Enforcement</b>			
Commodities:	175	175	350
Vehicles, communication and investigative equipment, computers, eradication gear and supplies etc.			
Other Costs:	150	150	325
Fuel, training, operational support			
Subtotal	<u>325</u>	<u>325</u>	<u>675</u>
<b>Drug Awareness/Demand Reduc</b>	50	50	100
<b>Program Development and Support</b>			
U.S. Personnel:			
Direct-hire (1)	140	140	140
Contract (1)	25	25	25
Non-U.S. Personnel			
Contract (1)	10	10	10
Other Costs:			
Program support	50	50	50
Subtotal	<u>225</u>	<u>225</u>	<u>225</u>
<b>TOTAL</b>	<b>600</b>	<b>600</b>	<b>1,000</b>

## LATIN AMERICA AND THE CARIBBEAN

## LATIN AMERICA REGIONAL COUNTERNARCOTICS COOPERATION

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

PROGRAM SUMMARY  
(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
INC	4.100	4.000	7.000

## OBJECTIVES:

- Adopt and implement strong narcotics control legislation, improve the efficiency and effectiveness of judicial institutions to bring drug offenders to justice, and develop bilateral and multilateral mutual legal assistance cooperation.
- Improve counternarcotics law enforcement in Central America, the Caribbean, and South America by assisting and strengthening narcotics enforcement and interdiction agencies.
- Interdict shipments of drugs and precursor materials, seize assets of drug traffickers, and reduce money laundering.
- Develop government and non-government organizations' institutional and resource bases to control the growth of drug abuse in the region.
- Eradicate illegal drug cultivation by providing commodities and technical support.

## JUSTIFICATION:

As drug control efforts in several Latin American program countries have become more effective, traffickers have sought new routes in the Caribbean, Central America and southern South America, and they have developed new methods of transportation through major transit points such as Mexico. These areas are of increasing importance for the transshipment of cocaine, and to a lesser extent opium and marijuana production. Governments in most of these countries lack resources, strong infrastructures, and adequately trained personnel to meet the challenges. Many of the countries covered in this account are known heavy laundering centers or are emerging as such.

Latin America regional funds support programs in countries that may not have the infrastructure to support large country programs or where the threat does not warrant large programs but are used increasingly by traffickers and money launderers to finance and sell their illegal products. Regional assistance is used to improve host government capabilities in all aspects of narcotics control, including infrastructure development of law enforcement and judicial institutions engaged in drug control, and training. To assist in meeting the challenges of attacking the drug problem at the source, equipment and supplies are provided to help

*LATIN AMERICA AND THE CARIBBEAN*

develop programs to detect illicit cultivations for eradication, reduce drug trafficking, destroy narcotics processing and storage facilities, and assist in drug investigations, arrests and prosecution. Additionally, this program provides public information/awareness materials to educate the public about the dangers of drug consumption and trafficking.

In FY 1996, the program will seek to strengthen these countries' abilities to address more effectively the ever changing conduct of drug producers and traffickers. The contract Regional Telecommunications Adviser will also continue to serve the entire area. Support for Joint Intelligence Coordination Centers (JICC) will continue. Regional Narcotics Affairs Officers in Miami, Barbados, Panama, and Guatemala will help manage multi-country programs in their areas of responsibility.

**Caribbean.** The program will strengthen countries' law enforcement and judicial institutions by providing training and equipment. The program seeks to encourage regional counternarcotics cooperation and continue to support activities to combat narcotics trafficking through the Caribbean islands and waters of the Lesser Antilles, the Guianas, the Dominican Republic, and other countries. The Department of State and U.S. law enforcement agencies actively encourage and support many Caribbean nations that cooperate in joint drug interdiction operations. The program will expand countries' drug investigative capabilities by providing existing Joint Information Coordination Centers (JICCs) with upgraded equipment and advanced training. New JICCs will be established where appropriate. We will provide training to develop local community action partnerships for drug abuse prevention and to improve the effectiveness of drug treatment professionals. The budgets for Jamaica and the Bahamas appear as separate requests.

**Central America.** A full range of activities to assist Belize, Costa Rica, El Salvador, Honduras, and Panama disrupt trafficking and strengthen indigenous law enforcement infrastructures will continue in FY 1996. A small allocation will also support prevention education in Nicaragua. The Guatemala program appears as a separate request.

Support for interdiction operations will be maintained in Central America. In Panama, program activities will assist strengthening police and coast guard capabilities to interdict drug and chemical traffic and reduce money laundering. Eradication programs will continue as needs in the region dictate, particularly building on the 1993 successful coca eradication mission in Panama.

In FY 1993, the Government of Mexico (GOM) assumed responsibility for funding the aviation maintenance contract and other field support activities previously funded by the USG (reaching \$20 million by FY 1992). The GOM decision was very much in keeping with our objective of greater host government counternarcotics independence and self-sufficiency. In response to this fundamental change, traditional programmatic activities are being phased out. FY 1996 funds will provide training and technical support as requested by, and/or reimbursed by, the GOM during this transition period, as well as to enhance bilateral and multilateral counternarcotics cooperation.

**South America.** Drug trafficking in the Southern Cone countries of South America is increasing alarmingly. Paraguay, Chile, Uruguay, and especially Argentina are used as transit points for cocaine originating in Bolivia. The FY 1996 plan includes continued support to Argentina to strengthen its capacity to disrupt trafficking and investigate money laundering and

*LATIN AMERICA AND THE CARIBBEAN*

chemical diversion. In Paraguay and Chile, programs will assist the police to investigate and prosecute traffickers and train those in charge of enforcing money laundering legislation (now pending). In Uruguay, equipment and training will be provided to develop the enforcement capabilities of the new narcotics police force, urge ratification of the Vienna Convention, and legislation of strong money laundering laws.

**EFFECTIVENESS MEASUREMENT:**

- Increased arrests and prosecutions of major drug traffickers and money launderers.
- Increased capabilities of regional counternarcotics law enforcement agencies as demonstrated by larger quantities of drugs interdicted.
- Disruption of trafficker networks.
- A decrease in drug abuse and an increase in intolerance of drug trafficking in the region.
- A decrease in the amount of drugs produced in the region.

## LATIN AMERICA AND THE CARIBBEAN

<b>LATIN AMERICA REGIONAL COOPERATION INC BUDGET (\$000)</b>
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	FY 1994	FY 1995	FY 1996	
<b>Caribbean</b>	1	1,200	1,200	1,800
Country assistance, e.g. computers and other equipment, fuel, operational support				
<b>Central America</b>	1	2,000	1,500	2,700
Country assistance, e.g. operational support, herbicide, telecommunication and other equipment, program development and support,				
<b>South America</b>				
Non-Andean country assistance, e.g. vehicles radios and other equipment, operational support	1,200	1,000	2,100	
<b>Regional</b>		335	300	400
Telecom advisor, JICCs, seminars, vehicles, computer equipment				
<b>TOTAL</b>		<b>4,735</b>	<b>4,000</b>	<b>7,000</b>

1 Includes funding for administrative support of Narcotic Affairs Sections in Mexico Panama.

## LATIN AMERICA AND THE CARIBBEAN

## LATIN AMERICA AND THE CARIBBEAN REGIONAL DEMOCRACY FUND

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
ESF	5.845	10.000	27.550

## OBJECTIVES:

- Preserve and strengthen democratic institutions and processes.
- Foster respect for human rights.
- Promote full, vibrant, and economically sustainable democratic societies.

## JUSTIFICATION:

In general, the region continues to lead a global trend toward replacing authoritarian regimes with elected civilian governments. As the tragic case of Haiti demonstrates, however, the roots of new democracies are seldom deep. There are constant threats that populist demagogues will exploit discontent with social and economic conditions; that traditional holders of power will prove intransigent; and that narco-traffickers will use money and terror to subvert democratic institutions.

Effective democracy is based, among other fundamentals, on free and transparent elections and includes the right of all citizens to participate in government. United States policy promotes democracy as the form of government most responsive to the will and the rights of the people, most able to build prosperity, and most likely to provide long term security and stability. Efficiency and honesty in government, greater participation by all groups of society in political and economic decision-making, and increase economic opportunities are crucial to building stable democratic societies. A free, professional press and independent non-governmental institutions such as political parties; research, labor and human rights organizations; and business and professional associations are the bedrock of a democracy.

The proposed regional democracy program will provide ESF to those nations where democracy, support for human rights, economic reform, and equitable growth need to be consolidated. A wide variety of programs in the region will be supported to promote and strengthen democratic institutions, including state/provincial/department and local governments, the media, labor, and grassroots citizen organizations. Programs will also support human rights training for non-governmental organizations, militaries and elected and appointed officials throughout the hemisphere. Assistance may also be provided to assist countries in making the transition to peace.

*LATIN AMERICA AND THE CARIBBEAN***EFFECTIVENESS MEASUREMENT:**

- Increase in the number of countries where police investigation relates to the judicial evidentiary process.
- Development of a stronger public constituency to foster human rights and strengthen due process of law.
- Greater understanding of, and adherence to, human rights standards on the part of government and security forces.
- Enforcement of electoral reforms recently promulgated.
- Introduction of further reforms to strengthen the role and conduct of democratic elections.
- Increase in the number of countries where there is a serious and open dialogue on improving civilian control over the military.
- Increase in the number of countries where civilians in the executive and legislature, as well as NGOs, understand military management and have the capacity to provide oversight of the military (including defense budgets) and exercise that capacity.
- Greater involvement of NGOs in the democratic process

## LATIN AMERICA AND THE CARIBBEAN

## MEXICO

PROGRAM SUMMARY  
(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
IMET	0.201	0.200	1.000

## OBJECTIVES:

- Improve military command and technical capabilities.
- Improve military adherence to human rights standards.

## JUSTIFICATION:

Recent events in Mexico, including a strengthening of our bilateral economic and political relationship, have fostered a climate for increased cooperation between our two nations' military forces. In the past, our small training program has been a key opening we have had with the traditionally inwardly-focused Mexican military and now presents the best means by which to forge expanded ties.

The training proposed would help Mexico enhance the professionalism of its military and, by influencing officer perspectives and skills, promote an officer corps which remains responsive to civilian control. Our training would also concentrate on command courses designed to improve officers' abilities to perform their missions under changing circumstances and technical courses to ensure effective use of military systems. This training would support the military's role as a source of stability for a democratic system.

## EFFECTIVENESS MEASUREMENT:

- Promotion of IMET graduates to leadership and command positions.

## LATIN AMERICA AND THE CARIBBEAN

## NICARAGUA

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

**PROGRAM SUMMARY**  
(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
IMET	0.000	0.100	0.200

**OBJECTIVES:**

- Consolidate stable and democratic government.
- Establish civilian control over the military.

**JUSTIFICATION:**

The primary U.S. interest in building democracy in Nicaragua is the consolidation of stable, democratic government in Central America, after over a decade of conflict. The U.S. investment of over \$1 billion since 1990 has been critical in helping Nicaragua's transition to democracy and a market economy. Continuing U.S. commitment, demonstrated through assistance at reduced levels, is essential to the survival and strengthening of Nicaragua's democratic institutions.

Specific U.S. objectives are closely tied to Nicaragua's democratic reform. The country is on track to hold general elections in 1996. Civil strife is greatly reduced and all political parties have joined the National Assembly where they are working on significant legislation, including constitutional reform. Unprecedented public debate and recent passage of military reform advanced the critical goal of establishing civilian control over the military.

U.S. military cooperation with the Sandinista Army (EPS), contingent on establishment of civilian government control and ending impunity for human rights violators, will include IMET for civil-military relations and human rights, and emphasize training of civilian defense managers.

**EFFECTIVENESS MEASUREMENT:**

- Progress in implementation of military reform.
- Increased civilian control of the military.

## LATIN AMERICA AND THE CARIBBEAN

## PARAGUAY

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
IMET	0.089	0.125	0.150

## OBJECTIVE:

- Support the consolidation of Paraguay's democracy, with emphasis on transparency and civilian-military cooperation.

## JUSTIFICATION:

It is U.S. policy to support the consolidation of Paraguay's democracy, with emphasis on transparency and civilian-military cooperation. A stable, civilian government in Paraguay will help advance U.S. interests in combatting narcotics trafficking, and in economic investment in the country.

The inauguration of Paraguay's first freely-elected civilian president and opposition-dominated congress in 1993 marked the opening of a new era in Paraguayan affairs. As a result there is substantial opportunity to move towards consolidating a strong democracy in Paraguay. Encouraging professionalism in the military, supporting the idea of civilian control, and honoring the concept of non-interference in politics are key. Defense training, with its interaction between the two militaries supports these goals. Without support for these ideas, progress towards a civilian-led democracy and progress in strengthening democratic institutions and economic development will be impeded.

The purpose of the FY 1996 IMET program is to support Paraguay's democratic consolidation. Training courses will be chosen to provide both civilians and military personnel with an understanding of how a professional military operates under civilian control and how the military must remain politically neutral for democracy to succeed. The U.S. has encouraged the establishment of a new "strategic planning directorate" under the office of the Vice-Minister of Defense to examine issues such as redefining the mission of the armed forces in a democracy, modern budgeting and accountability systems, and respect for human rights.

## EFFECTIVENESS MEASUREMENT:

- Transformation of Paraguay's military into a professional, nonpolitical force under civilian control.

## LATIN AMERICA AND THE CARIBBEAN

## PANAMA CANAL AREA MILITARY SCHOOL PROGRAM

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

PROGRAM SUMMARY  
(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
IMET	0.524	0.425	0.600

## OBJECTIVES:

- Reinforce security partnerships by improving standardization and interoperability among the region's coastal and riverine forces – and ours.
- Promote the professionalization of Latin American and Caribbean officers and NCO's assigned to the regions coastal and riverine elements.
- Provide navies and coast guards the capability to enforce environmental rules and regulations.
- Improve capabilities against international terrorism, narcotics trafficking and smuggling.

## JUSTIFICATION:

The U.S. Navy Small Craft Instruction and Technical Training School (NAVSCIATTS) trains personnel working on smaller craft on the rivers and coastal waters of Latin America and the Caribbean Sea. This component of the Latin American navies and coast guards are essential to meeting the challenges that international terrorism, narcotic traffickers and smugglers pose to national security and regional peace. Graduates of the training play a pivotal role in building security partnerships with the U.S. and other governments throughout the region.

## EFFECTIVENESS MEASUREMENT:

- Successful U.S.-Latin American and regional collaboration in riverine and coastal naval cooperation.
- Active participation of the region's naval and coast guard elements in environmental law enforcement.

## LATIN AMERICA AND THE CARIBBEAN

## PERU

**PROGRAM SUMMARY**  
(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
ESF	0.000	5.500	0.000
IMET	0.000	0.325	0.500
INC	8.400	12.000	42.000

**OBJECTIVES:**

- Build host nation capabilities in order to foster institutionalization of Peruvian policy-making and coordination and to Peruvianize all aspects of counternarcotics law enforcement.
- Reduce and ultimately eliminate the illicit cultivation of coca and trafficking of cocaine and cocaine base from Peru.
- Support Peruvian economic reforms that eliminate the illicit coca cultivation economy.
- Help the military and police fully support the civilian government by developing greater respect for civilian control and human rights while strengthening their ability to combat security threats such as terrorism.

**JUSTIFICATION:**

Nearly two-thirds of the world's cocaine supply originates from coca leaf grown in Peru. The Government of Peru (GOP) has demonstrated the political will to act against cocaine trafficking, but its ability to make an impact on the narcotics trade is limited by institutional weaknesses, corruption and a lack of resources. Sustainable long-term reduction in the amount of coca raw material for drug production is only possible by integrating enforcement measures that disrupt the cocaine export industry with economic development activities leading to coca eradication by or with the consent of producers. Inefficiencies and defects in the judicial process also hamper the Peruvian justice system, and make prosecution of narcotics traffickers difficult.

The goal of the U.S. counternarcotics strategy in Peru is to reduce, and ultimately to eliminate, production of refined coca products for export to the U.S. or elsewhere, or for domestic abuse. This goal will be attained by helping the GOP develop an institutional capability to carry out an integrated counternarcotics program including law enforcement, sustainable alternative development, coca eradication, and public awareness/demand reduction.

The counternarcotics program provides commodities, services, and advice to Peruvian government agencies engaged in developing or implementing counternarcotics-related programs, including enforcement programs to disrupt coca cultivation, wholesale purchase, industrial-scale processing, and export of refined coca products; judicial reform programs to

*LATIN AMERICA AND THE CARIBBEAN*

improve Peruvian judicial process and training; and economic assistance programs aimed at both economic restructuring and sustainable development in coca-related areas. All specific projects are aimed at institutionalizing all aspects of the Peruvian counternarcotics effort.

Specific programs include: training and equipping counternarcotics law enforcement air and ground units; developing local municipalities; strengthening the judicial system; supporting microenterprises and local economies, as well as infrastructure and agricultural activities in coca-growing areas; supporting broad-based economic growth to establish a stable market economy; establishing mobile air operations at forward locations for law enforcement operations against major Peruvian traffickers; controlling precursor chemicals at ports of entry and in the interior; developing actionable law enforcement intelligence; supporting Peruvian air force, navy and police efforts to intercept trafficking aircraft and control municipal airfields; and supporting government demand reduction efforts nationally and locally.

The FY 1996 budget will implement the President's decision to consolidate international counternarcotics law enforcement, economic and military funds into a single account.

**The Coca Eradication and Sustainable Development Projects:** Coca eradication is currently limited to the eradication of coca seedbeds through the use of Peruvian laborers (CORAH). Mature coca eradication was terminated in 1990. The 1996 program envisions initiating a mature coca eradication program in coordination with coca-growing communities receiving projectized development assistance and related broader based economic growth activities. Small-scale community projects which were implemented by the USG in coca-growing areas between 1990 and 1993 had a discernible impact on participating communities, providing alternatives to illicit coca cultivation and resulting in at least two local voluntary coca eradication agreements. Budget reductions ended these test projects in 1993. Plans to redesign and implement revised project designs in these areas will be in the early stages of implementation in FY 1995. Small-scale community projects will reinforce USG counternarcotics and democracy development goals by providing agricultural assistance, road-building, community development projects and long-term technical assistance to municipalities. These projects will serve as the basis for international financial institution and other donor assistance affecting the illicit coca economy.

Efforts will be focused also on ensuring that the Government of Peru implements comprehensive macroeconomic policy reforms to establish a stable market-oriented system through the provision of technical advice and coordination of the international donor community. Without a complementary effort to initiate structural reforms at the national level, community-level development efforts will fail for lack of a long-term drive to reform the Peruvian market economy.

Counternarcotics law enforcement efforts are based on a mobile-basing concept which allows police and helicopters to conduct operations against major trafficking facilities from a variety of secure locations, using the Ucayali town of Pucallpa as the rear area logistical and maintenance depot. Major helicopter maintenance and USG support for the Peruvian police base at Santa Lucia in the Huallaga Valley have been terminated due both to budgetary constraints and a shift in trafficking patterns, although Peruvian counternarcotics police continue some activities from there.

*LATIN AMERICA AND THE CARIBBEAN*

The Anti-Drug Directorate (DIRANDO) of the PNP is responsible for counternarcotics law enforcement, including illegal trafficking in essential chemicals. Headquartered in Lima, it has operating units in several key narcotics trafficking areas, a training base at Mazamari, and investigators in major urban areas. The narcotics field support subproject provides essentially all costs for training, equipping, and operating DIRANDO units and personnel, except for salaries, including units which investigate trafficking, financial crimes, chemicals trafficking, and a major violators unit.

The National Police Aviation Division (DIVPA) provides general aviation support for the entire PNP. It provides pilots, aircrews, and support personnel for 10-12 Department of State-owned UH-1H helicopters which support mobile law enforcement actions in the field. The aviation support funds these counternarcotics operations, providing fuel, maintenance, hangaring and warehousing, aircraft rental when needed, and operational support for DIVPA personnel.

In FY 1996, the Narcotics Field Support and Aviation Support projects cover operating and maintenance costs for police mobile basing operations, as well as construction and incidental support (fuel, parts, training) required by the Peruvian Air Force and Navy to carry out their legally mandated counternarcotics missions, including support for police enforcement activities.

The chemicals needed to make cocaine are not produced in quantity in Peru, and have few legitimate uses in the rural coca growing areas where most coca processing takes place. Most of the needed chemicals are diverted after commercial importation, and moved by road to the UHV. The Ministry of Commerce and Industry is responsible for licensing and regulating the importation, sale, and use of these chemicals, while DIRANDO is responsible for investigating diversion or illegal trafficking of controlled chemicals. The **Chemicals Control Project** will provide support to enhance the ability of the Ministry of Commerce and Industry to carry out its duties, and fund training and operational support for other agencies involved in chemicals control.

The Peruvian Customs Service cooperates with DEA, including sharing intelligence. The **Customs Project** is a narcotics interdiction activity to provide limited logistic support for the Customs Service, e.g., vehicles, investigative and communications equipment, training, and operational support.

The **Judicial Reform Project** will support the implementation of an accusatory criminal legal system, with due regard for the rights of the accused, replacing Peru's inquisitorial system, which has been ineffective in providing a fair and efficient system through which to prosecute key narcotics traffickers. The project will include training for prosecutors under the new legal system, implementation of a delay reduction case tracking system for the courts, fiscal management training for justice sector personnel, technical assistance for professional training academies for prosecutors and judges, as well as resources to upgrade the physical security of personnel and courts that handle narcotics cases.

**Drug Awareness and Demand Reduction Project** activities will be enhanced to concentrate on providing the Peruvian public with information about the harmful personal and societal effects of cocaine production and abuse, conducting surveys on drug abuse to identify groups requiring assistance, and supporting educational fora for Peruvian prevention and treatment professionals.

*LATIN AMERICA AND THE CARIBBEAN*

**Program Development and Support** funds will fund salaries, benefits and allowances of U.S. and foreign national personnel, short-term TDY assistance, and other general administrative and operating expenses for program planning, design, implementation, monitoring and evaluation.

**IMET:** The U.S. halted the noncounternarcotics security assistance program in Peru in April 1992, following the auto-coup. An opportunity to reengage in Peru is approaching, and a more normal aid relationship in FY 1996 is anticipated, assuming free and fair presidential elections in April 1995.

An IMET program for Peru would be designed to enhance civilian control over the military. Courses for mid-level, junior and non-commissioned officers will include human rights instruction as well as professional military education. Assuming military assistance is resumed in FY 1995, the resumption of mid- and senior level PME courses will be critical. Our objective is to insure the selection of the "best and brightest" field grade officers of the Peruvian services to attend these courses. Through engagement, an appreciation of the U.S. military and its role in the democratic process will be solidified and reinforced, and we will open new channels of communication with the Peruvian military. As the graduates return to duty in Peru, they will more likely support and enforce positive democratic policies than they would through a non-engagement strategy.

**EFFECTIVENESS MEASUREMENT:**

- Immobilization of Peruvian cocaine production and transportation organizations.
- Reforms in the Peruvian justice system.
- Development of viable alternatives to the illegal coca economy, including implementation of comprehensive macroeconomic policy reforms and projects in and outside of coca-growing areas.
- Decreased flow of essential chemicals into and through Peru.
- Increase in the Peruvian population's awareness of the dangers of drug abuse and drug trafficking to Peru's economy and society.
- Emergence of a professional, apolitical military responsible to executive and legislative branches and respectful of human rights.

## LATIN AMERICA AND THE CARIBBEAN

<b>PERU INC BUDGET (\$000)</b>			
	<u>FY 1994</u>	<u>FY 1995</u>	<u>FY 1996</u>
<b>Narcotics Law Enforcement</b>			
Narcotics Field Support	2,250	3,000	9,000
Aviation support	<u>3,000</u>	<u>4,000</u>	<u>10,500</u>
Subtotal	5,250	7,000	19,500
<b>Coca Eradication</b>	1,600	2,500	3,000
(commodities, labor costs, operational support)			
<b>Sustainable Development</b>			
Alternative Development	0	2,000	10,000
Macroeconomic Initiatives	1/ 9,400	<u>2,000</u>	<u>7,000</u>
Subtotal	9,400	4,000	17,000
<b>Chemicals Control</b>	100	300	300
<b>Customs</b>	50	400	400
<b>Judicial Reform</b>	100	200	200
<b>Drug Awareness and Demand Redu</b>	50	300	300
<b>Program Development and Support</b>			
U.S. Personnel:			
Direct-hire (3)	425	430	430
Contract /Pit (2)	50	60	60
Non-U.S. Personnel:			
Direct-hire (2)	70	75	80
Contract (12)	175	200	200
Other Costs:			
Foreign Affairs Administrative Support	180	185	190
Program Support	<u>350</u>	<u>350</u>	<u>340</u>
Subtotal	1,250	1,300	1,300
<b>TOTAL</b>	1/ 17,800	16,000	42,000

1/ Totals included INL and Economic counternarcotics funding.

## LATIN AMERICA AND THE CARIBBEAN

## SURINAME

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

PROGRAM SUMMARY  
(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
IMET	0.000	0.050	0.050

## SPECIFIC OBJECTIVE:

- Promote civil-military relations and human rights, with emphasis on the role of the military in a democracy.

## JUSTIFICATION:

Suriname, having gained independence in 1975, is emerging from a period of extended military rule and involvement by the military in the political process (1980-1991). U.S. interests in consolidating democratic gains will be served by continued efforts to stabilize this democracy promoting a greater respect for democracy and human rights within Suriname's military establishment, and assisting the government to develop greater civilian participation in the oversight of defense institutions will help ensure long-term security and stability.

The program will consist of in-country professional training for the Surinamese military with emphasis on the promotion of democratic civilian-military relations and on strengthening the control of civilian authorities over the military. U.S. interests will be served by the development of a new cadre of officers who will have been trained to work with and support the civilian government which defines their mission. Specifically, funds will be used to provide military police training in effective investigative and interviewing methods to decrease the likelihood of human rights abuse and civil-military relations course.

## EFFECTIVENESS MEASUREMENT:

- Continued improvement in the civil/military relationship and human rights performance.
- Peaceful transition elections in 1996.

## LATIN AMERICA AND THE CARIBBEAN

## TRINIDAD AND TOBAGO

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
IMET	0.010	0.000	0.050

## OBJECTIVES:

- Enhance professionalism of the Trinidad and Tobago Defense Force (TTDF).
- Enhance Trinidad and Tobago's ability to participate in regional security and international peacekeeping operations.

## JUSTIFICATION:

The U.S. is Trinidad and Tobago's largest trading partner and has sizable and rapidly growing investments in that country, principally in oil and petrochemicals. The Trinidad and Tobago Defense Force is one of the largest security forces in the English-speaking Caribbean and, with foreign logistical assistance, is in a position to contribute to most regional coalitions to counter threats to peace and stability. The TTDF played a significant role in the restoration of democracy in Haiti by providing personnel to the multinational forces in Haiti. This signaled a change in direction for the Government of Trinidad and Tobago (GOTT); since independence, Trinidad and Tobago had previously not elected to participate in any regional peacekeeping operation.

The TTDF has undergone a recent formal restructuring that consolidated its command structure, improved its chain-of-command, and enhanced the flow of information. U.S. IMET would build on this initiative by providing education and training in leadership, resource management, and decision-making. Such training would also benefit the TTDF by providing it with a tool to effectively manage its diminishing budget. Interoperability with U.S. and U.S.-trained forces would also be improved.

## EFFECTIVENESS MEASUREMENT:

- Improved drug and migrant interdiction.
- Increased GOTT participation in peacekeeping operations.
- IMET graduates are promoted to positions of leadership where there is an opportunity to use their education and training.

## LATIN AMERICA AND THE CARIBBEAN

## URUGUAY

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

**PROGRAM SUMMARY**  
(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
IMET	0.167	0.100	0.250

## SPECIFIC OBJECTIVE:

- Enhance the professionalism of Uruguay's armed forces.
- Increase the Uruguayan military's ability to operate successfully with U.S. and allied forces in U.N. peacekeeping and other coalition operations.

## JUSTIFICATION:

Since Uruguay's return to democratic rule in the mid-1980s, it has become one of the region's strongest democracies. Civil-military relations are good; the armed forces are politically neutral and professionally oriented.

Uruguay has dramatically expanded its participation in U.N. peacekeeping operations to become the second largest contributor from Latin America. Both civilian and military officials have expressed a desire to further expand their country's participation. Military training to update and enhance the capabilities of the Uruguayan armed forces to participate in international peacekeeping missions directly advances U.S. goals of promoting peace and building democracy.

The proposed IMET program will help military professionals keep up-to-date on U.S. tactical/strategic thinking, and provides a vehicle to further U.S. policy objectives.

## EFFECTIVENESS MEASUREMENT:

- Successful U.S./Uruguayan collaboration in peacekeeping activities.
- Improved professionalism in a military that is respectful of civilian leadership and human rights.

## LATIN AMERICA AND THE CARIBBEAN

## VENEZUELA

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

PROGRAM SUMMARY  
(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
IMET	0.195	0.250	0.300
INC	0.400	0.500	0.500

## OBJECTIVES:

- Improve Government of Venezuela's institutional ability to detect and interdict drug and precursor shipments.
- Enhance the professionalism of the Venezuelan armed forces to improve its ability to respond to external threats, including Colombian insurgents, kidnapers and drug producers in the West and illegal Brazilian miners in the South.

## JUSTIFICATION:

Venezuela experienced two unsuccessful military coup attempts in 1992. A small percentage of military officers participated in these coup attempts, but the vast majority remained loyal to the government and fought to preserve the democratically elected government. None of the officers that had received previous training in the U.S. participated in either attempt. President Caldera restored the authority of the presidency when he replaced the military high command in response to the high command's attempts to encroach on presidential authority during the period between the impeachment of Carlos Andres Perez in June 1993 and Caldera's inauguration in February 1994.

US assistance programs support Government of Venezuela (GOV) efforts to develop institutional capabilities to interdict drug shipments transiting Venezuela, reduce illicit drug production, conduct effective drug investigations, enhance the professionalization of the Venezuelan military, and improve civil-military relations.

An estimated 100 to 200 metric tons of cocaine transit Venezuela annually, primarily concealed in large containers loaded onto commercial and private ocean vessels and aircraft. Narcotics seizures by the Government of Venezuela law enforcement agencies declined in 1993. Seizures of cocaine transhipped through Venezuela totaled about 10 metric tons, discovered in shipments of legitimate cargo.

The counternarcotics program in Venezuela will help improve Venezuela's institutional ability to detect and interdict drug and chemical shipments by enhancing enforcement operations at land, air and water ports, and to target outbound containerized shipments.

*LATIN AMERICA AND THE CARIBBEAN*

The **Narcotics Law Enforcement Project** will provide training and commodities to improve GOV drug information-sharing capabilities and facilitate increased interdiction. The National Guard (GN) and Judicial Technical Police (PTJ) will receive such assistance as detection and interdiction training, computers, and radios. It will also support crop control activities. FY 1996 activities will include:

- A narcotics crop control project designed to gather more complete information on the extent of narcotics cultivation in Venezuela and to sustain bilateral eradication efforts;
- The drug analysis facilities project to strengthen the investigative and forensic skills of the PTJ and the GN, which have been assigned greater responsibility for toxicological investigations by the new GOV drug law. This project provides training in forensics and advanced chemical analysis to GN laboratory specialists. Three new laboratory facilities, with upgraded equipment, will be established in outlying regions of Venezuela;
- The national guard detector dog school project will maintain normal operating expenses and complete improvements on the water supply equipment for this widely-recognized regional training center. With U.S. assistance, the school hosts multiagency conferences for officials with detector dog responsibilities from the Caribbean, Central America, and other Latin American nations; and,
- A waterways interdiction project to provide boats, investigative and other equipment, maritime and riverine interdiction training, and operational support to strengthen the Venezuelan Coast Guard and Venezuelan Marines interdiction capability along the Caribbean Coast and extensive river systems. The Maritime interdiction initiative will concentrate on patrolling known eastern Caribbean narcotics trafficking routes; the Riverine initiative will concentrate on monitoring, intercepting, and seizing illicit narcotics and precursor/essential chemical shipments on the Orinoco River System. The United States will continue developing a cooperative relationship between the Venezuelan Coast Guard, the Marines and GN, and seek to establish mechanisms to share intelligence. Also key to successful GOV waterways interdiction is completion of two Caribbean Basin Radar Network (CBRN) sites and repair of the air defense radar system.

The **Money Laundering Project** will develop the capabilities of the PTJ and GN to investigate and dismantle money laundering operations. Funding will assist the PTJ in the development of a computer database on suspected money launderers and financial transactions. The PTJ, with USG assistance, will also develop an effective multiagency financial crimes task force.

The **Drug Awareness and Demand Reduction Project** will focus on engaging the new Venezuelan administration, which took office in February 1994, on narcotics issues, particularly the need to increase public support for counternarcotics programs. Other initiatives include a comprehensive national drug abuse survey, an epidemiological study, training workshops with local NGOs and sports-based drug prevention training programs with U.S. Major League Baseball.

The **Program Development and Support Project** funds will provide for salaries, benefits and allowances of permanently assigned U.S. personnel in Venezuela, and other general administrative and operating expenses for program planning, design, implementation, monitoring and evaluation.

*LATIN AMERICA AND THE CARIBBEAN*

**IMET.** An IMET program for Venezuela would be designed to enhance civilian control over the military. Courses for mid-level, junior and non-commissioned officers will include human rights instruction as well as professional military education. Our objective is to insure the selection of the "best and brightest" field grade officers of the Venezuelan services to attend these courses. Through engagement, an appreciation of the U.S. military and its role in the democratic process will be solidified and reinforced, and we will open new channels of communication with the Venezuelan military.

**EFFECTIVENESS MEASUREMENT:**

- Progress toward a more professional and apolitical military with a greater respect for civilian authority, effective military justice, and respect for human rights.
- Strengthen Venezuela's waterways operational effectiveness.
- Establish a counternarcotics coordination mechanism in the Government of Venezuela.
- Improve controls on precursor chemicals and enact more comprehensive money laundering legislation.
- Identify illicit drug cultivation, develop an eradication capability, and eradicate coca and opium poppy.
- Promote greater drug awareness in Venezuela's public and private sectors.

## LATIN AMERICA AND THE CARIBBEAN

<b>VENEZUELA INC BUDGET (\$000)</b>			
	<u>FY 1994</u>	<u>FY 1995</u>	<u>FY 1996</u>
<b>Narcotics Law Enforcement</b>			
Commodities:	50	90	90
Boats, radios, computers investigative and other equipment			
Training	25	50	50
Operational Support	<u>25</u>	<u>50</u>	<u>50</u>
Subtotal	100	190	190
Money Laundering	25	25	25
Drug Awareness/Demand Reduct	25	25	25
<b>Program Development and Support</b>			
U.S. Personnel:			
Direct-hire (1)	120	125	125
Contract (2)	55	50	50
Non-U.S. Personnel			
Contract (2)	21	25	25
Other Costs:			
Foreign Affairs Administrative Support	14	16	20
Program support	<u>40</u>	<u>44</u>	<u>40</u>
Subtotal	250	260	260
<b>TOTAL</b>	<b>400</b>	<b>500</b>	<b>500</b>

NEAR EAST

## THE NEAR EAST

### PROGRAM DESCRIPTION AND BUDGET REQUEST:

**DESCRIPTION:** The Administration is requesting over \$5 billion in security assistance for Regional Peace and Security in the Middle East. These funds will be channeled through FMF, ESF, IMET, and PKO to promote regional peace and security in helping to meet the legitimate security needs of parties engaged in the peace process and promoting economic reform and the growth of the private sector. The vast majority of assistance in the region supports the long-standing U.S. foreign policy goal of seeking a just, lasting and comprehensive peace between Israel and her Arab neighbors, including the Palestinians.

### OBJECTIVES:

- Promote the Middle East peace process which remains one of the highest foreign policy priorities for the U.S.
- Maintain our steadfast commitment to Israel's security and well-being.
- Promote Palestinian ability for democratic self-government through economic development and institution-building in the West Bank and Gaza Strip.
- Support the bilateral negotiating tracks and multilateral and trilateral Groups through direct assistance to the governments of Jordan and Lebanon and regional programs.
- Promote Jordan's economic stability through debt forgiveness.
- Pursue the broader U.S. goal of promoting regional security in the Persian Gulf region through modest IMET funds for Oman and Bahrain.
- Promote regional security in North Africa through the provision of modest IMET funds for Morocco, Tunisia, and Algeria.
- Maintain the U.S. commitment to peacekeeping through the Multilateral Force and Observers in the Sinai.

### JUSTIFICATION:

In FY 1996, the Administration aims to preserve aid to Israel and Egypt in recognition of the vital role this assistance plays in bolstering regional stability and security, and in promoting peace.

- The commitment of this Administration to Israel's security is well-known and unshakable. Funding under this title is designed to strengthen a free and democratic Israel as well as support our peace process goals.

*NEAR EAST*

- Our assistance to Egypt supports its moderating influence in the region and helps it play an invaluable role as a go-between in the region and in the bilateral negotiations.

The U.S. pledge of assistance to the Palestinians plays a key role in building the political, economic and institutional infrastructure necessary for Palestinian self-government. Bilateral funding for the West Bank and Gaza will focus on projects to support the September 13, 1993 Declaration of Principles and subsequent Israel-PLO implementing agreements.

Bilateral assistance to Jordan and Lebanon helps those countries undertake stability-oriented economic and political reforms enhancing their ability to take risks necessary to participate in and advance the peace process. Debt forgiveness for Jordan is being sought to meet the Administration's commitment.

Regional programs, such as the MERC and Multilateral Working Groups, promote economic integration and cooperation through scientific exchanges and dialogues to address regional problems such as water and refugees.

We propose modest military training assistance to Oman, Bahrain, Morocco, Tunisia, and Algeria to support U.S. goals toward regional peace and security in the Persian Gulf and North Africa.

The U.S. supports the MFO to continue to monitor security arrangements between Israel and Egypt and provide a framework for peacekeeping in the region.

**EFFECTIVENESS MEASUREMENT:**

Programs supported under this title support regional peace and security in the Middle East. In general, success will be measured by accelerating progress in the peace process, the continued security and well-being of Israel, and regional stability in the Persian Gulf. Specifically, benchmarks may include:

- Implementation of agreements between Israel and the Palestinians:
  - Assumption of authority by Palestinians in Gaza and Jericho and the development of self-government institutions.
  - Assumption of early empowerment responsibilities by the Palestinian Authority for education, health, social welfare, direct taxation, and tourism in the West Bank.
  - Holding of elections for Palestinian leadership positions.
  - Israeli/Palestinian negotiations on final status issues in accord with the schedule established by the Declaration of Principles.

*NEAR EAST*

- The consolidation of peaceful relations between Jordan and Israel subsequent to their peace treaty of October 1994:
  - Evidence of greater cooperation, particularly in the sphere of economic coordination
- The conclusion of peace treaties by Syria and Lebanon with Israel.
- Progress in achieving the peace process benchmarks will be linked to enhanced Israeli security and continuation of its role as a model democracy in the region.
- Enhanced cooperation, increased exercise capabilities, and continued access to facilities for the U.S. military with Oman and Bahrain.
- Improved joint exercise capabilities for Tunisia, enhanced cooperation and continued access to facilities for the U.S. military with Morocco, and increased respect for professionalism in the Algerian armed forces.
- The continued success of the MFO is evidenced by the continued absence of border incidents on the Israeli/Egyptian border.

NEAR EAST

## ALGERIA

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
IMET	0.056	0.075	0.075

## OBJECTIVES:

- Promote regional peace and security by encouraging Algeria's support of the Middle East peace process.
- Promote professionalism in the Algerian armed forces, advance the Algerian military's interoperability with U.S. and NATO armed forces, and encourage acceptance of U.S. values, such as civilian control of the military.

## JUSTIFICATION:

Algeria continues to face profound political crisis. Exploiting widespread political and economic discontent, an Islamic fundamentalist party swept the first round of legislative elections in late 1991. The army then took over, canceling the second round of balloting, and cracked down on Islamic opponents. Since then, the government has been locked in a battle against mounting Islamic insurgent violence. U.S. efforts have been focused on encouraging the Algerian government to enter into substantive dialogue with a broader base of political parties provided those parties reject terror as a means of obtaining or maintaining power.

Our IMET program gives the U.S. a measure of influence to encourage Algerian government reforms and their continued cooperation with U.S. policy on the Middle East peace process and relations with Libya. IMET funds advance our larger foreign policy considerations in that they explicitly aim to promote a greater understanding of democracy and democratic institutions in Algeria.

## EFFECTIVENESS MEASUREMENT:

- Notable progress towards enhancing the professionalism of the Algerian armed forces, and encouraging its acceptance of U.S. values, such as civilian oversight of the military.
- An increase in interoperability capability between the Algerian military and U.S. and NATO armed forces.

NEAR EAST

## BAHRAIN

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
IMET	0.056	0.075	0.100

## OBJECTIVES:

- Support regional security, and promote Bahraini understanding of U.S. security perspectives in the region.
- Promote professionalism in the Bahraini armed forces, advance interoperability between Bahraini and U.S. armed forces, and encourage acceptance of U.S. values, such as civilian control of the military.

## JUSTIFICATION:

The U.S. and Bahrain have enjoyed close bilateral relations for nearly fifty years. Our mutually shared objectives include maintaining access to critical oil and gas reserves under free market conditions, ensuring freedom of navigation in the Gulf, and supporting the stability of friendly countries in the region. Bahrain has also been supportive of U.S. regional political objectives and hosted the Environmental Working Group of the Middle East multilateral peace process last fall.

Bahrain's readiness to host NAVCENT and its predecessor organizations since the end of World War II has been a valuable and substantial component of our security presence in the region. IMET will support Bahrain in professionalizing its armed forces, strengthening an important regional ally, and enhancing cooperation with the U.S. This training will advance interoperability with U.S. armed forces in the event of joint or coalition operations in the region.

## EFFECTIVENESS MEASUREMENT:

- Enhanced professionalism of the Bahraini armed forces, and greater acceptance of U.S. values, including civilian control of the military and military justice.
- Increased interoperability between the Bahraini and U.S. armed forces.

## NEAR EAST

## EGYPT

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

DESCRIPTION: Provide FMF grants to support Egyptian self-defense, long-term military modernization and interoperability with U.S. forces, and provide IMET for Egyptian military and civilian officials. Additionally, provide ESF in support of economic reforms and private sector development.

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
ESF	814.930	815.000	815.000
FMF	1,300.000	1,300.000	1,300.000
IMET	0.800	1.000	1.000

## OBJECTIVES:

- Promote regional peace and security by encouraging Egypt's continued participation and leadership in the Middle East peace process.
- Support Egypt's critical political and military role as a moderating influence in the region and as a contributor to peacekeeping operations.
- Promote market-oriented economic development and policy reform.
- Provide professional military education and training to Egyptian officers to enhance professionalism and modernize Egypt's armed forces, and encourage acceptance of U.S. values, such as civilian control of the military.

## JUSTIFICATION:

Supporting the continuing modernization program of the Egyptian armed forces will help ensure that Egypt remains a key player in the region's pursuit of peace and stability. The Egyptian armed forces are well into a long-term modernization program, aimed at replacing antiquated Soviet equipment with more up-to-date U.S. equipment. We propose maintaining this program to allow the GOE to continue four major programs (armor modernization, F-16 and Apache purchases, and leasing frigates), while upgrading its secondary systems and increasing its concentration on interoperability and sustainment.

Training in the U.S. for Egyptian military officers introduces them to the traditions of democracy, human rights and civilian control of a professional military, as well as U.S. training concepts. Any change in the funding at this time would cause delays in the modernization program and could reduce Egyptian ability to maintain interoperability with U.S.

*NEAR EAST*

armed forces. The IMET proposal supports improving the military's professionalism as well as enhancing interoperability with U.S. armed forces.

Our proposed ESF advances Egypt's multifaceted economic reform program. Policy reforms promote macroeconomic stability and structural change in the agriculture, trade, and financial sectors. Private sector investment and trade within a market-oriented framework would be broadened. Efforts to increase agricultural production and incomes will stress liberalizing market controls. These measures will enable Egypt to improve its economic position, thereby contributing to internal stability essential to the Middle East process.

**EFFECTIVENESS MEASUREMENT:**

- Continued strong Egyptian contributions to regional peace, Arab reconciliation with Israel, and close bilateral/security relations with the U.S.
- Completion of the final phases of the F-16 and armor modernization program by 1998.
- Implementation of our ESF programs, resulting in an increasing role for the private sector in the economy, reduced government controls over markets, enhanced job creation, and improved economic growth.
- Notable progress towards enhancing the professionalism of the Egyptian armed forces, and encouraging their acceptance of U.S. values, such as civilian control of the military.

## NEAR EAST

## ISRAEL

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

DESCRIPTION: The President's FY 1996 budget will maintain current aid levels to Israel, including FMF grants to support regional security objectives and sustainable progress toward peace. The proposed ESF supports Israel's policy reforms and long-term economic growth.

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
ESF	1,200.000	1,200.000	1,200.000
FMF	1,800.000	1,800.000	1,800.000

## OBJECTIVES:

- Promote regional peace and security with Israel's continuing participation in the Middle East Peace Process.
- Assist Israel in maintaining its qualitative edge through continued modernization and training.
- Encourage economic reform and increased private sector activity.

## JUSTIFICATION:

With \$3 billion in funding for Israel for FY 1996 (which equals current assistance levels for FY 1994 and 1995), the U.S. reaffirms its commitment to Israel's security and well-being and our interest in securing a just and comprehensive peace between Israel and its Arab neighbors. Our commitment to Israel's security has been a cornerstone of our Middle East policy since the creation of the state of Israel in 1948. This long-standing commitment is based on historic and cultural ties, as well as U.S. interest in the success of the peace process. In addition, we share with Israel concerns related to the security of the eastern Mediterranean. We have repeatedly emphasized that the security and legitimacy of Israel must not be in doubt if the ongoing bilateral and multilateral peace talks, co-sponsored by the U.S., are to succeed.

The historic accords between Israel and the Palestinians and between Israel and Jordan represent a unique opportunity for progress toward regional peace and security. Israel has taken significant risks for peace. These risks should be recognized and reinforced by the U.S. While the defeat of Iraq and recent dramatic progress toward peace have reduced the immediate threat to Israel, a longer-term threat remains from countries such as Iran, which continue to pursue the development and acquisition of weapons of mass destruction and their delivery systems. The U.S. is committed to maintaining Israel's qualitative edge against any likely combination of aggressors. Toward this end, FMF will allow Israel to continue cash-flow funding and follow-on support for major multi-year procurement programs such as new

*NEAR EAST*

fighter aircraft purchases, SAAR corvettes, and upgrades of Apache and Blackhawk helicopters.

While Israel's economy grew over 7% in 1994, and unemployment has dropped to 7.3% from 1992 levels of 11%, long-term growth is not assured. The government still faces economic challenges associated with absorbing more than 560,000 immigrants since 1989. Increased domestic demand associated with high immigration levels has contributed to a widening trade deficit and to 14.5% inflation (from an initial 8% target for 1994). Share prices on the Tel Aviv stock exchange declined 30% in 1994. This impeded progress in bank profitability and in the privatization program while offerings were delayed in the hope of a market turnaround. U.S. ESF provides Israel the funds it needs both to promote economic reforms and to carry out a domestic economic agenda that reinforces the government's peace process policy.

**EFFECTIVENESS MEASUREMENT:**

- Continued progress toward peace in the region and sufficient Israeli confidence to take further steps.
- Reformulating Israeli defense thinking, strategy and doctrine, moving forward on a number of long-term military initiatives, including the "Arrow" ATBM program and active missile defense, and the acquisition of advanced long-range U.S. F-15I fighter aircraft.
- Success of economic reforms, encouraging long-term growth; (e.g., steady progress by the government to privatize state enterprises; efforts to streamline the tax system and reduce trade barriers; and policies designed to decrease the budget deficit as a percentage of GDP).

## NEAR EAST

## JORDAN

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

DESCRIPTION: Provide ESF to increase foreign exchange earnings from light industry, agriculture and tourism and FMF to improve Jordan Armed Forces (JAF) capabilities to maintain adequate border security, internal stability and participate in UN peacekeeping missions. An IMET program will promote military professionalism. Support water conservation and quality improvement, contribute to more efficient and accountable governance, and improved health care management.

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
ESF	9.000	7.200	7.200
FMF	9.000	7.300	30.000
IMET	0.800	1.000	1.200

## OBJECTIVES:

- Promote regional peace and security by encouraging Jordan's continued participation in the Middle East peace process.
- Promote Jordan's economic stability through debt forgiveness.
- Support economic development through projects to promote broad-based economic growth.
- Support the armed forces' ability to secure Jordan's borders by providing appropriate equipment and training; reinforce U.S. values, such as civilian control of the military.
- Enable Jordan's armed forces to modernize themselves while restructuring.
- Promote military professionalism.
- Improve water quality and conservation.
- Provide better family planning/health care facilities.

## JUSTIFICATION:

U.S. assistance, FMF, IMET and ESF, to Jordan promotes stability and prosperity, which in turn provides the Jordanian government flexibility to pursue policies crucial to U.S. objectives in the Middle East. U.S. aid supports Jordan as it pursues new areas of strategic and economic cooperation with Israel and enforces sanctions against Iraq. At this critical stage of the Middle East peace process, U.S. military assistance enhances Jordan's important role in contributing to

*NEAR EAST*

the peace and security of the still volatile region. Jordan's military training programs serve to educate officers and NCOs on the role of the armed forces in a democratic society.

In addition to our security assistance request for FY 1996, the Administration is requesting a supplemental appropriation for FY 1995 to forgive the remainder of Jordan's bilateral official debt to the U.S. The Congress has already authorized forgiveness of Jordan's official debt. In FY 1994, \$99 million was appropriated to forgive up to \$220 million of the debt. The Administration's \$275 million request to forgive the remaining debt demonstrates our recognition of Jordan's positive steps to formalize and consolidate diplomatic and economic relations with Israel. The Administration has urged and will continue to urge Jordan's other creditors to take similar actions.

The Jordanian democratization program (which in November 1993 led to Jordan's first multiparty parliamentary elections in recent history) is an Arab success story which the U.S. should support. Jordan and Israel signed a peace treaty on October 26, 1994 in a bold and historic bid to further peace in the region. The Administration's request for increased FMF grants for Jordan is based on a recognition of Jordan's vital role in supporting the Middle East Peace Process as well as an evaluation of Jordan's needs in the areas of military sustainment and readiness.

Jordan has been engaged in serious efforts to achieve long-term growth since its standby agreement with the IMF in February 1992. Despite the fact that Jordan has met or exceeded nearly all its standby targets, its economy continues to be hamstrung by enormous debt and a worsening foreign exchange situation. Standards of living have fallen steadily since 1988. Such problems could disrupt the government's efforts at structural reform, democratization and its crucial commitment to the Middle East peace. External assistance can help minimize potentially destabilizing economic factors. ESF-funded activities continue to be instrumental in encouraging policy reform to remove barriers to private trade and investment as well as assisting Jordan to develop a strong water conservation program, especially critical in light of Jordan's severe water shortage.

**EFFECTIVENESS MEASUREMENT:**

- Evidence of a greater degree of cooperation with Israel, particularly in the sphere of economic coordination and bilateral cooperation.
- Increased foreign direct investment and improvement in Jordan's balance of payments and foreign exchange reserve accounts.
- Enhanced readiness of a downsized military.
- Continued progress on the implementation of its structural adjustment program.
- Implementation of water conservation measures.
- Greater access to, and effectiveness of, family planning programs.

## NEAR EAST

## LEBANON

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

DESCRIPTION: Provide ESF to rehabilitate housing and to reconstitute the ability of civil government agencies to provide needed public services. An IMET program will continue to enhance professionalism in the Lebanese armed forces.

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
ESF	3.639	4.000	4.000
IMET	0.304	0.400	0.475

## OBJECTIVES:

- Support regional security by encouraging Lebanon's cooperation with the Middle East peace process.
- Enhance the stability of Lebanon through the reassertion of government control throughout its territory.
- Assist in rebuilding government institutions vital to restoring the government's ability to provide basic public services.
- Support enhancing the professionalism of the Lebanese armed forces, focusing on fostering respect for human rights.

## JUSTIFICATION:

Lebanon's plan for economic reconstruction and revitalization is critical to reestablishing stability and functional government institutions responsive to the needs of its citizens, after 17 years of civil war. Instability in Lebanon has proven consistently detrimental to the ongoing peace efforts. Our ESF program is designed to rehabilitate housing destroyed by fighting. It is also meant to train civilian administrators in providing useful services and reestablishing the citizenry's confidence in government capabilities and authority.

Training for Lebanese military officers has complemented our efforts to make available to the Lebanese Armed Forces the equipment it needs to assert central government authority and stability throughout Lebanese territory. In the aftermath of a bitter civil war, enhancing the professionalism of the armed forces is an essential step toward rebuilding one of the few national institutions commanding the respect and approval of the average Lebanese. IMET-funded training and education has afforded an opportunity to experience U.S. traditions of democracy, respect for human rights, and civilian control of a professional military.

*NEAR EAST***EFFECTIVENESS MEASUREMENT:**

- Increased willingness of the Lebanese government to support the peace process.
- Improved ability of civil servants to respond in a timely, adequate manner to routine requests for public assistance and services.
- Enhanced professionalism of the Lebanese military, including respect for human rights, democratic values, and proper military-civil roles in a democratic society.

## NEAR EAST

## MIDDLE EAST MULTILATERAL WORKING GROUPS

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

DESCRIPTION: ESF funding will support activities of the five multilateral working groups of the Middle East Peace Process (MEPP): regional economic development, water, environment, refugees and arms control and regional security.

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
ESF	1.000	3.000	5.000

## OBJECTIVES:

- Promote regional peace and security through the Middle East peace process.
- Provide a centralized source of support for U.S.-funded activities of the multilateral working groups of the MEPP.
- Advance the peace process in concrete ways, building links between Israel and Arab parties and thereby augmenting progress in the bilateral negotiations.

## JUSTIFICATION:

In January 1992, five multilateral working groups were established to address regional issues: water, environment, economic development, refugees, and arms control and regional security. The purpose of these groups is to promote discussion of regional issues among Israelis and Arabs and to bring to bear the expertise and resources of the international community to support these efforts. The U.S. and Russia assumed leading roles as co-sponsors of the peace process and chaired two groups; other extra-regional parties were given key roles as chairs of three of the groups: the EU, Japan and Canada. Participation now includes over 45 parties, including 15 from the Middle East.

Each group has undertaken an active program of seminars, workshops, feasibility studies, and concrete pilot projects. In recent meetings, the groups have begun to identify and implement projects involving a number of regional parties. The U.S. has helped to support these activities under the auspices of the MEPP. Projects the U.S. funded in FY 94 include a communications network among participants in the arms control and regional security group; designing and planning for wastewater facilities for small communities in Jordan, Israel and the West Bank/Gaza Strip for the environment group; financing a feasibility study by the U.S. Trade and Development Agency on regional air traffic and control systems for the economic development group; and establishing and upgrading regional data banks for the water group. These activities focus on concrete projects linked to the peace process; they complement but do not overlap with research-oriented activities undertaken in the Middle East Regional Cooperation (MERC) program.

*NEAR EAST*

The working groups help support the agreements reached between Israel and Arab parties in the course of the bilateral negotiations in the Madrid process, including the Palestinian Declaration of Principles of September 13, 1994, subsequent Israel-PLO implementing accords, and the Israel-Jordan Peace Treaty of October 26, 1994. In addition, the multilateral working groups provide a vital forum to promote contacts between Israel and a wider group of Arab parties in the Gulf and Maghreb. For example, working groups meetings have now been held with Israeli participation in six Arab states: Tunisia, Morocco, Egypt, Bahrain, Oman and Qatar.

**EFFECTIVENESS MEASUREMENT:**

- Evidence of further steps towards peace agreements and normalization between Israel and Arab parties.
- Implementation of concrete projects linking Israel and Arab parties.
- Increased contact between Israeli and Arab experts in technical meetings.

NEAR EAST

## MIDDLE EAST REGIONAL COOPERATION

## PROGRAM SUMMARY

*(DOLLARS IN MILLIONS)*

	1994 Actual	1995 Estimate	1996 Request
ESF	5.000	7.000	7.000

**OBJECTIVES:**

- Promote regional peace and security through the Middle East peace process.
- Encourage Arab-Israeli cooperation through support for technical cooperation and collaborative scientific research.

**JUSTIFICATION:**

The Middle East Regional Cooperation (MERC) program promotes mutually beneficial cooperation between Israel and neighboring Arab states such as Egypt, Morocco, and Jordan. MERC-supported projects aim to promote and strengthen ties by demonstrating that peaceful cooperation can yield tangible benefits to those involved. MERC supports regional cooperation through technical and scientific collaboration, which complements ongoing multilateral peace talks on regional issues such as water, the environment and regional economic development

**EFFECTIVENESS MEASUREMENT:**

- This program will be considered successful if its cooperative research initiatives in agriculture, health, the environment, and technology transfer continue to benefit the region and buttress peace.

NEAR EAST

## MOROCCO

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
ESF	2.971	0.000	0.000
IMET	0.528	0.800	0.800

## OBJECTIVES:

- Support regional peace and security, and advance the Moroccan military's interoperability with U.S. and NATO armed forces.
- Emphasize training in human rights protection, defense resource management, and civilian control of the military.

## JUSTIFICATION:

The Kingdom of Morocco is a stable constitutional monarchy which values its close ties with Western as well as moderate Arab and African countries. Morocco has consistently championed U.S. efforts in the United Nations, supported the American-led multilateral forces in the Gulf War, and has provided significant assistance to the U.S. in brokering a lasting peace in the Middle East. In 1994, for example, Morocco hosted a meeting of the Middle East peace process Regional Economic Development Working Group and the Middle East-North Africa Economic Summit in Casablanca.

Morocco's readiness to uphold commitments to the U.S. under the 1982 Base Access and Transit Agreement underscore Morocco's importance as a trusted friend in the region. IMET helps preserve our relationship with the Moroccan defense community. As past Moroccan graduates of the IMET program have moved on to more senior military positions, they have displayed greater sensitivity to issues of resource management and civilian control of the military.

## EFFECTIVENESS MEASUREMENT:

- Progress towards enhancing professionalism of the Moroccan armed forces, including their continued support for U.S. initiatives and respect for the proper role of the military in a democratic society.
- Increased interoperability between Moroccan and U.S./NATO armed forces.

## NEAR EAST

## MULTINATIONAL FORCE AND OBSERVERS

## PROGRAM SUMMARY

*(DOLLARS IN MILLIONS)*

	1994 Actual	1995 Estimate	1996 Request
PKO	16.7000	16.090	17.000

## OBJECTIVES:

- Permit Israel and Egypt to work toward progress in the peace process, secure in the knowledge that their common border is monitored by the MFO.
- Demonstrate that security arrangements and confidence building measures are a viable alternative to military occupation of strategic territory, thus serving as an example for the region.

## JUSTIFICATION:

The MFO was established by the governments of Egypt and Israel to monitor security arrangements stipulated in their 1979 peace treaty. The MFO is a critical component of the Israeli-Egyptian peace which serves as a model confidence building measure and security arrangement in the context of the ongoing talks between Israel and its other Arab neighbors. The beneficiaries of the MFO, Egypt and Israel, continue to provide the bulk of its operating expenses, each contributing one-third of the annual operating costs, while the United States has undertaken to provide the final one-third. A U.S. reduction of any magnitude would be seen as a weakening of our commitment to a successful Middle East security arrangement and confidence building measure and call into question the staying power of such measures. It could also create new tensions between Egypt and Israel.

The U.S. has a firm political commitment to finance one-third of the annual MFO costs. Subject to Congressional authorization and appropriations, the U.S. is committed to support the MFO's mission until the Parties to the agreement which created the MFO mutually agree that it is no longer necessary.

## EFFECTIVENESS MEASUREMENT:

- This program is effective if it continues to guarantee security along the Egyptian-Israeli border. At some future point, probably in the context of a comprehensive Middle Eastern peace, both Parties may be prepared to consider a timetable for ending the MFO.

NEAR EAST

## OMAN

## PROGRAM SUMMARY

*(DOLLARS IN MILLIONS)*

	1994 Actual	1995 Estimate	1996 Request
IMET	0.054	0.110	0.110

## OBJECTIVES:

- Support regional security through enhanced interoperability with U.S. armed forces.
- Provide basic and advanced training for mid-level Omani officers to enhance professionalism.
- Enhance U.S.-Omani security cooperation in support of important shared objectives.

## JUSTIFICATION:

Oman maintains a small but effective defense force which is undergoing a concentrated program of modernization and an accompanying decline in influence of expatriate elements. IMET will support Oman in this process, strengthen an important regional ally, and improve cooperation with the U.S. This training will support enhanced interoperability with U.S. forces in the event of joint operations in the region.

Oman was one of the first Middle East countries to cooperate closely with the U.S. on security issues, and we must continue to sustain those close ties. Oman also has been supportive of U.S. regional political objectives, including being the first GCC country to host a multilateral working group of the Middle East peace process.

## EFFECTIVENESS MEASUREMENT:

- Notable progress towards enhancing the professionalism of the Omani military.
- An increase in the Omani military's interoperability with U.S. armed forces.

## NEAR EAST

## TUNISIA

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
ESF	0.985	0.000	0.000
IMET	0.500	0.800	0.800

## OBJECTIVES:

- Provide training in the operation and maintenance of U.S.-origin equipment.
- Advance interoperability between U.S and Tunisian armed forces as our joint exercises become increasingly larger and more sophisticated.
- Cultivate an understanding of human rights, defense resource management, and proper military-civilian roles in a democratic society.

## JUSTIFICATION:

Tunisia has demonstrated strong support for the Middle East peace process. In October 1993, it was the first country in the region to host a multilateral working group meeting. Tunisia followed up its commitment by providing the venue for the multilateral Steering Group meeting in July 1994 and hosting the Arms Control and Regional Security Plenary in December 1994.

Wedged strategically between the erratic Libya and unstable Algeria, Tunisia is an important moderating force in the region and a source of support for sanctions against Libya and Iraq. The military plays a major role in society and the Tunisian army's extensive involvement in national development projects helps aid civil-military relations.

IMET will strengthen an important friend of the U.S. The planned training will enhance interoperability with U.S. forces in joint military exercises and in international peacekeeping operations. Tunisia has sent troops to Somalia as part of the UNOSOM force, and more recently deployed soldiers to Rwanda to take part in UNAMIR operations.

## EFFECTIVENESS MEASUREMENT:

- Notable progress towards enhancing the professionalism of the Tunisian military, focusing on respect for human rights, improved defense resource management, and respect for military-civil roles in a democratic society.
- An increase in the Tunisian military's interoperability with U.S. armed forces.

## NEAR EAST

## WEST BANK AND GAZA

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

DESCRIPTION: Provide ESF to the West Bank and Gaza as part of the U.S. five-year pledge to support the Palestinians as they implement peace agreements with Israel.

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	1994 Actual	1995 Estimate	1996 Request
ESF	27.500	75.000	75.000

## OBJECTIVES:

- Promote regional peace and security through the Middle East peace process.
- Provide timely and well-targeted assistance to ensure that the Palestinians in West Bank and Gaza realize tangible benefit from the new political realities made possible by the Declaration of Principles and the subsequent Israel-PLO implementing accords.
- Build a capacity for self-governance and sustainable economic development.
- Promote market-oriented economic development and policy reform, with special emphasis on private sector growth.
- Lay the groundwork for long-term economic stability, as the best guarantee for the viability of the new Palestinian entity in the West Bank and Gaza Strip.
- Promote the efficient management and operation of municipal institutions.

## JUSTIFICATION:

A stable economy is the best guarantee for the viability of new political structures. The Palestinians need extensive ESF to help them create effective institutions of self-government and to translate the Gaza-Jericho Agreement into real and lasting changes on the ground. Without this change, progress in the peace process may be jeopardized. The economies of the West Bank and Gaza are severely depressed, with the situation in Gaza especially bleak: unemployment rates hovering near 50% and a population growth rate of 3.1%. 15-20% of the population of the West Bank and almost 33% in Gaza live below the poverty line. Combined GDP for both areas is estimated at \$3.2 billion in 1993.

To address urgent economic needs, U.S. assistance will focus on effecting immediate and visible improvements in the standard of living. To provide a stable foundation for long-term prosperity and self-governance, we will stress economic development based on private sector activity and regional economic cooperation. AID programs are therefore designed to focus on job creation activities, improving the quality and sustainable use of existing water resources;

*NEAR EAST*

providing health services which promote both the public and private sectors; providing housing for low and moderate income groups (again, through both public and private sector initiatives); promoting sustained production of goods and services by Palestinian producers; and providing technical assistance on development of effective, independent administrative structures.

**EFFECTIVENESS MEASUREMENT:**

- Significant contribution to the effectiveness of Palestinian political and economic capabilities, thereby encouraging continued engagement in the peace process.
- Establishment of independent and democratic policy-making institutions.
- Creation of new jobs, acting as a catalyst for new trade and investment, especially in the private sector.
- Improvement of living conditions for the people of the West Bank and Gaza, especially by providing new housing, better water quality and improved health care.
- Decline in current population growth rates.

*SOUTH ASIA***SOUTH ASIA****OBJECTIVES:**

- Enhance the professionalism and effectiveness of the armed services through training and education.
- Support participation in global peacekeeping efforts.
- Enhance the capability to effectively deal with regional problems, such as disaster relief.
- Maintain and expand military cooperation with the U.S.

**JUSTIFICATION:**

Training facilities within some regional states are limited. Consequently, the effectiveness of some defense establishments is hindered by a shortage of adequately trained personnel. A significant number of current military leaders are past recipients of training provided by the U.S. under the old IMET program. Continued opportunities for U.S. training will enhance the ability of the armed services to train their own personnel.

The IMET program will also include training foreign civilian and military officials in managing and administering military establishments and budgets; creating and maintaining effective judicial systems and military codes of conduct, including the observance of internationally recognized human rights; and fostering greater respect for the principle of civilian control of the military.

Good U.S. relations with the defense establishments of the region strengthen political relations and directly or indirectly advance many U.S. objectives, including non-proliferation, regional stability, and respect for human rights.

**EFFECTIVENESS MEASUREMENT:**

- Promotion of U.S.-trained officers to positions of command and technical responsibility.
- Greater professionalism in the military, including respect for civilian control and human rights.
- Continued support of U.N. peacekeeping operations.
- Quick and efficient disaster relief.

## SOUTH ASIA

## BANGLADESH

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
IMET	0.182	0.175	0.258

## OBJECTIVES:

- Enhance the professionalism of the Bangladeshi military, promoting respect for the proper role of the military and human rights.
- Maintain and expand the cooperative relationship between the U.S. and Bangladeshi military.
- Support Bangladeshi participation in multilateral programs of drug control efforts and drug treatment training sessions.

## JUSTIFICATION:

Since the restoration of multi-party democracy in 1991, the Government of Bangladesh has made steady progress in democratization, moving toward a free market economy, and expanding the private sector. Relations with the U.S. are excellent. The Bangladeshi military, which has repeatedly intervened in Bangladeshi politics in the past, has supported the return to democracy and is increasingly inclined to stay out of government. A high percentage of the military's current leaders are graduates of IMET programs, giving us excellent access to the Bangladeshi military. Recent U.S.-Bangladeshi military cooperation has included joint exercises, training, visits by U.S. forces, and exchange visits by senior military officials.

The proposed IMET program will provide professional military education and training, emphasizing attendance at mid-level command and staff college programs and senior level management courses, including programs at the Naval Post Graduate School, the Command and General Staff College, and the Air Command and General Staff College. The FY 1996 program will also provide training targeted at civil-military relations and human rights issues.

The proposed support of counternarcotics efforts will be provided through the U.S. contributions to the Colombo Plan which will continue to sponsor regional drug treatment seminars and will organize coalitions of drug prevention NGOs in SAARC countries.

## EFFECTIVENESS MEASUREMENT:

- Enhanced professionalism of the Bangladeshi military, resulting in a larger cadre of democratically-oriented military leaders and continued support for democratization and respect for human rights.
- Decrease in the level of domestic drug abuse.

## SOUTH ASIA

## INDIA

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

DESCRIPTION: Provide IMET and Counternarcotics Assistance (INC) for India.

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
IMET	0.152	0.200	0.364

## OBJECTIVES:

- Enhance interoperability between U.S. and Indian defense forces which will allow greater coordination in joint exercises.
- Support Indian participation in international peacekeeping operations.
- Support Indian participation in multilateral programs of drug control efforts and drug treatment training sessions.

## JUSTIFICATION:

U.S.-Indo relations have changed dramatically since the end of the Cold War, when the collapse of the Soviet Union and the subsequent Indian economic crisis in the spring of 1991 forced the GOI to pursue economic policy reforms and prompted India to seek closer ties with the U.S. The Government of India continues to address the changed global economic and political realities by rethinking domestic and foreign policies. Prime Minister Rao's visit to the U.S. in May 1994, set against the backdrop of heated domestic debate over U.S. opposition to Indian missile development, underscores the GOI's commitment to improved Indo-U.S. relations. Widely hailed here as a success because it accentuated economic potential without becoming ensnared in nuclear proliferation and human rights issues, the visit has greatly improved our bilateral relations. Despite the sometimes hysterical Indian domestic political climate, U.S.-Indo relations have in fact never been better at broad economic, political and military levels.

U.S.-Indo military relations began to revive in 1990 when both governments saw it as a practical way to strengthen the broader political relationship. Military relations directly or indirectly advance key U.S. objectives in South Asia, such as regional stability, nonproliferation, the free flow of commerce, and the improved observance of human rights. Interoperability is a top priority, especially between the navy and army units since significant Indian and U.S. military assets operate in the Indian ocean and our ground forces work together in peacekeeping operations. Somalia was an excellent example of the convergence of Indian and U.S. peacekeeping interests.

*SOUTH ASIA*

India has a well established democratic system, and the concept of military subordination to the civilian government is generally well established. Human rights abuses by the military and security forces, though, have been a concern in some areas where they have been called upon to combat insurgencies. Accountability is another area of concern. Shortly after becoming Army Chief of Staff in June 1993, General Joshi established a human rights cell in army headquarters and publicly stated the importance of respecting the civil rights of citizens. Indian soldiers in Kashmir, for example, now carry a laminated list of the "Ten Commandments" for the treatment of civilians.

The military justice mobile training team project will provide training for Indian justice officials, both civilian and military. This will enable them to understand how civilian and military justice systems interact in the U.S. and to assess the effectiveness of their own systems. Recent actions by the military suggest that this is a timely program.

The proposed support of counternarcotics efforts will be provided through the U.S. contributions to the Colombo Plan which will continue to sponsor regional drug treatment seminars and will organize coalitions of drug prevention NGOs in SAARC countries.

**EFFECTIVENESS MEASUREMENT:**

- India's continued support of U.N. peacekeeping efforts.
- A higher level of joint and combined military exercises demonstrating India's increased interoperability with Western armed forces.
- Increased willingness by the military to hold accountable personnel guilty of human rights abuses.
- Decrease in the level of domestic drug abuse.

## SOUTH ASIA

## MALDIVES

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
IMET	0.000	0.050	0.080

## OBJECTIVES:

- Enhance the self-defense and internal security capabilities of Maldives.
- Enhance the relationship between the Maldives and the U.S.
- Promote increased awareness of human rights among the National Security Service (NSS).

## JUSTIFICATION:

Maldives' small National Security Service (NSS) combines the functions of police, army, navy, air force and coast guard. Its effectiveness is impeded by a severe shortage of trained manpower. Training facilities within Maldives are small and limited in capacity and few NSS personnel have been trained to Western standards. We have observed that standards within the NSS and the Maldives defense establishment have significantly improved as a direct result of U.S. training.

U.S. interests in Maldives rest primarily on that country's strategic location in the Indian Ocean and its role as a moderate Muslim voice in international fora. The government of the Republic of Maldives has been helpful in ensuring access for U.S. Navy ship visits and in allowing aircraft transit rights in Maldivian airspace. Although the government of the Republic of Maldives has both an elected president and legislature, its democratic institutions need strengthening. The paramilitary NSS, combining both the functions of police and military, and is allowed significant latitude in enforcing presidential decrees.

Management training will be provided to members of the NSS, alongside participants from neighboring Sri Lanka. This course will emphasize human rights training, and would encourage the sharing of this training with the rest of the NSS.

## EFFECTIVENESS MEASUREMENT:

- Continued internal stability and police and military support for democratic institutions.
- Continued respect by the NSS for civilian control of the defense establishment and continued inclusion of human rights concerns as part of basic military training.
-

## SOUTH ASIA

## NEPAL

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

DESCRIPTION: Provide IMET and Counternarcotics Assistance (INC) for Nepal.

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
IMET	0.106	0.100	0.138

## OBJECTIVES:

- Encourage Nepal's continued support for, and participation in, UN peacekeeping operations.
- Improve the effectiveness of the Nepalese defense force in peacekeeping missions, through training and education.
- Support Nepal's participation in multilateral programs of drug control efforts and drug treatment training sessions.

## JUSTIFICATION:

Nepal has been an active and willing participant in UN peacekeeping operations since 1958 and could serve as an excellent model for small nation participation in a reformed UN peacekeeping system. It has stayed the course in difficult situations such as a period of extended isolation in Iraq and loss of life in Somalia. Royal Nepalese Army officers that have received U.S. professional military training in the past have found it extremely valuable when they have served on peacekeeping missions, and such training should continue to enhance the effectiveness of Nepalese armed forces in future peacekeeping missions.

The proposed support of counternarcotics efforts will be provided through the U.S. contributions to the Colombo Plan which will continue to sponsor regional drug treatment seminars and will organize coalitions of drug prevention NGOs in SAARC countries.

## EFFECTIVENESS MEASUREMENT:

- Continued effective participation by Nepalese forces in UN peacekeeping missions.
- Decrease in the level of domestic drug abuse.

## SOUTH ASIA

## PAKISTAN

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

DESCRIPTION: Provide Counternarcotics Assistance (INC) to Pakistan.

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS)

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
INC	2.500	2.500	2.500

## OBJECTIVES:

- Upgrade GOP commitment to pass effective counternarcotics legislation and engage in counternarcotics efforts.
- Eliminate heroin laboratories in Pakistan, expand the poppy cultivation ban, provide alternative development assistance, prosecute or extradite major traffickers.
- Help build support for action to deal with Pakistan's domestic drug problem, including Pakistani participation in multilateral programs of drug control efforts and drug treatment training sessions.

## JUSTIFICATION:

Pakistan is both a major producer and an important transit country for opiates destined for the international drug market, including approximately one-fifth of the heroin consumed in the United States. Opium cultivation is insufficient to supply domestic demand but neighboring Afghanistan provides Pakistan's heroin labs, operating illegally in the Northwest Frontier Province (NWFP), with enough raw material both to make up this shortfall and to export heroin abroad. The United States seeks to increase high-level Pakistani Government attention to the narcotics problem by pressing for passage of effective counternarcotics legislation, development of vigorous law enforcement institutions, elimination of corruption and implementation of a coordinated enforcement policy.

The major areas of Pakistani opium cultivation and heroin laboratories are the remote, politically autonomous tribal areas of the NWFP, along the largely unpoliced border with Afghanistan. The Pakistani program has three project elements, which we are seeking to incorporate into a single large project. These project elements support counternarcotics law enforcement agencies, fund development assistance in connection with the expansion of the ban on cultivation of opium poppy, and support demand reduction activities.

The **Law Enforcement** element aims at strengthening the Pakistani Government's counternarcotics enforcement institutions, supplementing their resources to permit more

*SOUTH ASIA*

vigorous counternarcotics enforcement efforts. The FY 1996 program will continue to support efforts of the Counternarcotics Force through training and operational support, a change from the commodity emphasis in earlier years. This program is also working closely with Pakistani Customs to provide a country-wide Customs Counternarcotics strategy.

**Economic Development** -- mainly road construction and other infrastructure projects -- seeks to open up politically inaccessible tribal areas of the NWFP to facilitate the expansion of the opium poppy ban and the elimination of heroin labs. These roads fulfill several functions: they permit authorities to intervene in force when necessary; they force tribesmen to assume some responsibility for security by raising militia forces to protect the road; and they make alternative crops economically viable by opening growing areas to transportation. The FY 1996 development assistance project is aimed primarily at expansion of government control in the Khyber Agency, where most of Pakistan's heroin labs are located.

**Demand Reduction** aims at increasing public awareness of Pakistan's domestic drug problem and at building support for action to deal with it. The FY1996 funding request anticipates increased drug demand efforts (both governmental and private sector) as a result of earlier drug awareness campaigns, and that these institutions will benefit from a continued training and awareness events. Additionally support of counternarcotics efforts will be provided through the U.S. contributions to the UNDCP and to the Colombo Plan which will continue to sponsor regional drug treatment seminars and will organize coalitions of drug prevention NGOs in SAARC countries.

**Program Development and Support** funds will provide for salaries benefits and allowances of U.S. and foreign national personnel, short-term TDY assistance, and other general administrative and operating expenses for program planning, design, implementation, monitoring, and evaluation.

**EFFECTIVENESS MEASUREMENT:**

- Extradition of major traffickers; interdiction, arrest and prosecution of major traffickers in Pakistani courts; destruction of heroin manufacturing laboratories; and arrest and prosecution of their operators.
- Expanded enforcement of the opium poppy cultivation ban in the Northwest Frontier Province (NWFP).
- Improved public awareness of the personal and societal costs of the serious drug problems in Pakistan.
- Decrease in the level of domestic drug abuse.

**PAKISTAN  
INC BUDGET  
(\$000)**

	<u>FY 1994</u>	<u>FY 1995</u>	<u>FY 1996</u>
<b>Crop Control</b>	1,500	1,350	1,370
Roads; irrigation, drinking water, and electrification projects; farm implements, seeds, fertilizer and operational costs			
<b>Narcotics Law Enforcement</b>	200	250	200
Vehicles, radios and other equipment, training, operational support			
<b>Drug Awareness/Demand Reduct</b>	100	200	200
Seminars, workshops, training, materials and supplies, travel and per diem of instructors and advisors, other costs			
<b>Program Development and Support</b>			
<b>U.S. Personnel:</b>			
Direct-hire (2)	305	310	315
Contract (1)	25	25	25
<b>Non-U.S. Personnel</b>			
Direct-hire (2)	60	60	65
Contract (8)	45	50	50
<b>Other Costs:</b>			
Foreign Affairs Administrative Support	90	100	110
Program support	175	155	165
Subtotal	<u>700</u>	<u>700</u>	<u>730</u>
<b>TOTAL</b>	<b>2,500</b>	<b>2,500</b>	<b>2,500</b>

## SOUTH ASIA

## SRI LANKA

## PROGRAM SUMMARY

*(DOLLARS IN MILLIONS)*

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Request
IMET	0.100	0.100	0.175

**OBJECTIVES:**

- Advance the professionalism and training capabilities of the Sri Lankan armed forces, and their understanding and acceptance of democratic values and human rights.
- Increase U.S. access to the Sri Lankan military.

**JUSTIFICATION:**

The proposed training would improve the professionalism of the defense forces, enhance their ability to train their own personnel, and provide assistance in long-term defense resource management. The Sri Lankan Security Forces have no facility to train the officer corps at the rank of major and above; a significant portion of junior officers are trained abroad and no training is done at the battalion level or above. Sri Lankans are enthusiastic about opportunities to train in the U.S. In fact, most of the top leadership are IMET graduates. Sri Lanka was helpful during Operation Desert Storm by allowing access to its airfields and deep water ports.

Sri Lanka was the first country in South Asia to institute universal suffrage, and for 47 years its democratically elected governments have succeeded one another smoothly and peacefully. Despite its well-established democratic institutions, Sri Lanka has been racked by two violent insurgencies within the past decade. One of these, the decade-long battle against Tamil separatist insurgents in the north and east, still continues. In the past, official efforts to contain the war have led to serious violations of human rights by the government and security forces. The incidence of such violations poses a grave threat to the stability of Sri Lanka's long-standing democratic tradition. Despite a marked decline in recorded abuses over the past two years, certain shortfalls still exist.

Human rights training with a strong component on civil/military relations will be necessary, as an increasing number of areas formerly held by the insurgents are turned back to government control. IMET training for key members of the security forces will emphasize human rights training, respect for human rights and civilian control of the military and encourage them to continue Sri Lanka's recent progress in protecting human rights.

**EFFECTIVENESS MEASUREMENT:**

- More sensible procurement decisions which factor in enough time to train necessary personnel on new and complex equipment.
- A decline in human rights violations.

## GLOBAL PROGRAMS

## ADMINISTRATION OF JUSTICE/ICITAP

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

**DESCRIPTION:** Provide ESF to support the improvement of justice institutions.

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS):

	1994 Actual	1995 Estimate	1996 Request
ESF	5.845	10.000	10.000

## OBJECTIVE:

- Development of an effective and accessible, independent legal system operating under the rule of law, as measured by an increase in the use of the courts to decide allegations of human rights abuses or abuses of government authority.

## JUSTIFICATION:

Legal reform assistance is a major focus of the Administration's efforts to foster democratic change and improve human rights. An efficient and effective legal system, from the police on the streets to an independent judiciary, is essential to establish a democratic government based on the rule of law. A democratic legal system can hold a government accountable for its actions and provides protection for individual human rights.

This program furthers U.S. interest in democratic change by supporting the development of effective criminal investigative functions and promoting judicial reform -- key ingredients in an effective legal system. Under this program, U.S. assistance will be provided to help police develop a respect for human rights and the rule of law, improve the delivery of investigative services, strengthen the curricula of police academies and management of police forces, and improve the performance of prosecutors and judiciaries.

## FY 1996 Program:

This program will provide assistance to justice institutions around the world. The objective of this program is to build and consolidate the institutions of a democratic legal system, in particular, to develop an effective criminal investigatory capability to assist prosecutors and the courts.

The program will provide targeted technical assistance on specific reform topics. Judicial reform assistance will focus on such topics as supporting an independent judiciary, delay reduction in courts and alternative dispute resolution.

Assistance to police forces, including training in investigative techniques, will be carried out through the Department of Justice's International Criminal Investigative Training Assistance Program (ICITAP). Courses and programs will include: crime analysis capability,

*GLOBAL PROGRAMS*

management and organizational development, establishment of police misconduct investigatory capability, development of forensic capabilities and instructor development.

The AOJ/ICITAP programs will be coordinated with law enforcement training and technical assistance programs provided by the Bureau of International Narcotics and Law Enforcement. Coordination will take place in a subgroup of the IWG on Democracy and Human Rights chaired by the State Department.

**EFFECTIVENESS MEASUREMENT:**

In general, progress under the Administration of Justice/ICITAP program will be evaluated by the emergence of more professional and accessible justice institutions, in particular, politically neutral police forces. In Latin America and the Caribbean and in other regions where AOJ and ICITAP programs are concurrent and coordinated, progress should be assessed in conjunction with bilateral Administration of Justice projects which this program complements. Among the criteria for progress are:

- Increase in the number of countries utilizing modern investigative techniques, including forensics, to develop evidence for court.
- Increase in the number of police forces with effective, internal systems for investigating police misconduct (as measured by an increase in prosecutions for such misconduct or decrease in such misconduct).
- Increase in number and effectiveness of judicial reform activities that are initiated in countries receiving assistance.
- Increase in the number of countries with basic training curricula appropriate to a civilian police force.

## GLOBAL PROGRAMS

## DEMINEING

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

DESCRIPTION: Provide FMF for the global demining assistance program.

**PROGRAM SUMMARY**  
(DOLLARS IN MILLIONS):

	1994 Actual	1995 Estimate	1996 Request
FMF	2.500	5.000	10.000
UNOCHA	(0.500)	(1.000)	
OAS	(0.350)	(0.200)	
Cambodia	(0.750)	(1.300)	
Eritrea	(0.200)	(0.460)	
Ethiopia	(0.300)	(0.300)	
Mozambique	(0.400)	(0.000)	
Namibia	(0.000)	(0.270)	
Rwanda	(0.000)	(0.300)	
Unallocated		(1.170)	

## OBJECTIVES:

Promote national and regional security, political stability, and economic development by reducing civilian landmine casualties and their tragic human, social, and economic costs. Restore national infrastructure which has been rendered unusable by landmines, and return mined areas, including farmland, to productive use. The specific objectives are to:

- Develop an indigenous mine awareness training program capable of training selected host nation personnel to provide mine awareness education to local populations at risk of encountering landmines.
- Develop an indigenous landmine clearance training program capable of training selected host nation personnel to conduct, supervise, and teach landmine clearance operations.
- Develop the institutional capacity necessary to manage and administer the program locally, including identification and training of host nation personnel for program leadership.
- Encourage cooperation between governments, international organizations, and other agencies involved in addressing local landmine problems.

## JUSTIFICATION:

The Demining Program is designed to help landmine-infested countries address their mine problem. The goal of the program is to establish indigenous, sustainable mine awareness and mine clearance training programs in countries that are experiencing adverse humanitarian effects from landmines. The program assists the host country to develop all aspects of mine

*GLOBAL PROGRAMS*

awareness and mine clearance training programs, with the caveat that no U.S. personnel will physically clear landmines or enter active mine fields.

With some 100 million uncleared landmines world-wide, including as many as 10 million each in Afghanistan, Cambodia, and Angola, landmines are a large-scale problem which require long-term solutions. The U.S. program is designed to give indigenous personnel the skills to remove the landmine threat, as well as the expertise to administer the program over time. Local populations will benefit directly from cleared fields for crops, cleared roads for travel, and cleared infrastructure for critical restorations. They will also gain confidence in their governments, which are actively solving the landmine problem. This increases local stability and complements U.S. foreign policy initiatives.

FMF has played a critical role in the implementation of USG demining assistance programs. We have designed programs wherein FMF funds for demining are used primarily to provide equipment to complement comprehensive demining training programs funded by DOD Operations and Maintenance (O&M) funds for humanitarian assistance. These two funding sources have been closely coordinated through the Interagency Working Group for Demining.

Recent FMF allocations for demining assistance have been made to Cambodia, Eritrea, Ethiopia, Mozambique, Namibia, and Rwanda, as well as to the UN Office for the Coordination of Humanitarian Assistance to Afghanistan (UNOCHA) to assist with their mine clearance and mine awareness programs and to the Organization of American States to assist with their demining programs in Central America. We also expect to soon begin a comprehensive demining assistance program in Angola, perhaps the most densely mined country in the world.

We estimate that landmines globally cause approximately 500 casualties per week, mostly among innocent civilians, particularly farmers and children. While mine awareness education campaigns help, tremendous population pressures in many of these countries force countless civilians to live and farm in areas that are known to contain landmines. If demining is not accomplished by indigenous deminers trained and equipped through this program, many of these mines will only be cleared one arm and one leg at a time.

**EFFECTIVENESS MEASUREMENT:**

The success of USG demining assistance programs is not based on the number of mines cleared in a given country. (U.S. personnel will not actively be involved in mine clearance operations.) Country programs will be considered successful upon:

- Development of indigenous mine awareness and clearance capability through the graduation of local instructors.
- Effective use of equipment transferred for local mine awareness and clearance programs.
- Hand-off of the program to the host government (or other local entity such as a United Nations peacekeeping force) for program management and administration.

## GLOBAL PROGRAMS

## LAW ENFORCEMENT AFFAIRS

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

DESCRIPTION: The Office of International Criminal Justice (ICJ) was mandated by the Secretary of State Department's to fund, coordinate and provide policy guidance for international crime matters. This includes law enforcement training programs and procurement of equipment in this category. This mandate includes providing assistance to those countries in which international criminal activity arises.

**PROGRAM SUMMARY**  
(DOLLARS IN MILLIONS):

	1994 Actual	1995 Estimate	1996 Request
ESF	0.000	4.756	12.000

## OBJECTIVES:

- To combat the growing threat to our national security posed by international organized crime.
- To help emerging democracies strengthen their national law enforcement institutions.
- To provide training and technical assistance to foreign civilian law enforcement agencies as an element of peace-keeping operations.
- To strengthen efforts by the United Nations and other international organizations to assist member states in combating international criminal activity.

## JUSTIFICATION:

The Office of International Criminal Justice (ICJ) is one of two elements reporting to the Assistant Secretary for the Bureau of International Narcotics and Law Enforcement Affairs.

## FY 1996 Program.

## NIS, Russia, Eastern Europe

Russia and the NIS. ICJ will fund training programs to strengthen the capacity of law enforcement agencies in of Russia and the other NIS states to combat the activities of organized crime, including financial crimes and illegal trafficking. Drawing on FREEDOM Support Act resources, ICJ will fund the second year of training and technical assistance programs in Russia and the NIS carried out by the FBI, Secret Service, Customs, IRS and other U.S. federal law enforcement agencies. The focus of assistance will be organized crime, financial crimes, nuclear smuggling and drug trafficking.

**GLOBAL PROGRAMS**

Eastern Europe. Drawing on Support for East European Democracy (SEED) Act resources, ICJ also would fund the second year of law enforcement training and technical assistance programs in Eastern Europe. ICJ will continue the advanced technical assistance programs begun in Poland, the Baltics, and Hungary. Training in investigations of organized crime and financial crimes will begin elsewhere in the region.

**Latin America**

Stolen Cars. ICJ will fund the second phase of the program to negotiate bilateral agreements with regional governments to provide standard procedures for the recovery and return from Central America of stolen U.S. vehicles and to provide training through the International Criminal Investigative Training Assistance Program (ICITAP) for law enforcement agencies to reduce the several \$100 million yearly loss in car-theft from the United States. This program is strongly supported by the U.S. insurance industry.

**Africa and East Asia**

Africa. Law enforcement training and technical assistance in newly-emerging democracies will promote respect for human rights. ICJ also will provide technical assistance to law enforcement agencies in South Africa responsible for preventing illegal trafficking in nuclear materials and weapons.

East Asia. ICJ will provide law enforcement training to prevent money laundering and to combat organized crime groups involved in alien smuggling.

**Multilateral Organizations/Other**

ICITAP. ICITAP law enforcement and forensics training will be provided for countries in transition from civil strife or military rule to democratic rule as an element of peacekeeping. (e.g. Haiti, Rwanda, Bosnia, and West Bank/Gaza).

Multilateral Organizations and Initiatives. Funding for the UN's Crime Prevention and Criminal Justice Branch and other multilateral organizations will be provided to undertake training and technical assistance programs.

Financial Action Task Force (FATF). Contributions to key research activities and meetings of the FATF not otherwise funded by the U.S. government, international organizations, or operational expenses of the office will aid in addressing money-laundering crimes.

**EFFECTIVENESS MEASUREMENT:**

- Formulation of policies and coordination of U.S efforts to combat international organized crime – international financial and economic crimes, particularly money-laundering, and international illegal trafficking, particularly alien smuggling.
- Coordination of law enforcement training programs with Rule of Law/Administration of Justice program in order to strengthen the ability of emerging democracies to deal with the challenges of organized crime groups.

*GLOBAL PROGRAMS*

- Implementation of law enforcement training programs, particularly in the NIS, Eastern Europe, East Asia, and Latin America, to eliminate organized criminal groups, illegal trafficking, and financial and economic crimes.
- Development of assistance programs to improve the law enforcement capability of member states of the United Nations Commission on Crime Prevention and Criminal Justice and the increased effectiveness of that body.

**INTERNATIONAL CRIMINAL  
JUSTICE  
FY 1996 BUDGET  
(\$000)**

	<u>FY 1995</u>	<u>FY 1996</u>
<b>Criminal Justice Programs</b>	<i>1/</i>	<i>2/</i>
NIS/Russia/E. Eur (AID/Freedom Support, SEED Act and ESF) (USLETC Budapest)	19,665	--
Crime Initiatives: Money Laundering, Financial Crime etc.	1,200	2,500
Alien Smuggling, Training, Technical and Operations Support	1,000	3,000
U.S. Stolen Cars Initiatives and Technical Assistance	1,000	2,000
Anti-Contraband Initiative	500	3,000
Program Development Support	300	1,500
NIS Participant Support (Held by USAID Training Office)	1,500	--
<b>TOTAL</b>	<i>1/</i> <b>25,165</b>	<b>12,000</b>

<sup>1</sup> In FY 1995, a total of \$23.665 mil was transferred to INL for implementation of ICJ programs \$13.665 FSA, \$5 mil SEED and \$5 mil ESF. \$1.5 mil was held by USAID for foreign participant support cost.

<sup>2</sup> In FY 1996, \$12 mil reflected for ICJ in the INL budget will be included in the FY 1996 ESF budget request. Additional FSA and SEED ACT funding for ICJ programs will be included in the appropriate budget requests.

## GLOBAL PROGRAMS

## SANCTIONS ASSISTANCE MONITORING

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

DESCRIPTION: Establish, train and equip a cadre of Sanctions Assistance Monitors (SAMs). Funding will also be used for technical assistance to and training costs for host country governments.

## PROGRAM SUMMARY

(DOLLARS IN MILLIONS):

	1994 Actual	1995 Estimate	1996 Request
PKO	16.800	21.400	23.000

## OBJECTIVE:

- Assist front line states in enforcement implementation and monitoring of multilateral economic sanctions.

## JUSTIFICATION:

Multilateral economic sanctions are increasingly a tool of choice in foreign policy. During 1994, the Department of State managed U.S. sanctions policies against Serbia-Montenegro, Haiti, Iraq, Iran, Cuba, UNITA (Angola), North Korea, and Libya. In the case of Serbia-Montenegro, managing the sanctions enforcement program has required coordination and funding of a sizable multilateral enforcement effort. Under UN and CSCE auspices, the United States has provided commodities and services related to sanctions enforcement. We anticipate a continuing need for sanctions enforcement funding.

In FY 93 and FY 94, the Department of State funded sanctions enforcement efforts against Serbia-Montenegro from reprogrammed Peacekeeping Operations Account funds. The Department of the Treasury has funded a significant portion of these expenses. We must regularize funding to ensure that the goals of this program are executed efficiently. Enforcement of economic sanctions will continue to be an important component of U.S. foreign policy. Maintaining a separate source of funding for this purpose is essential, since excess funds will not be available from other sources.

## EFFECTIVENESS MEASUREMENT:

- The program will be considered successful if it leads to better enforcement of sanctions by front line states, and fewer sanctions violations on the sanctioned state's borders.

*OTHER SUPPORTING INFORMATION***ARMS CONTROL CONSIDERATIONS**

Despite the end of the Cold War, security assistance continues to be an indispensable U.S. policy instrument for exerting constructive leadership in advancing international peace and security, and increasing the number of states with democratic political institutions and free market economies. Judiciously used, arms transfers can deter aggression, foster internal and regional stability, strengthen and revitalize mutual security relationships, and demonstrate enduring interest in the security of friends and allies. New and creative uses of security assistance, such as the worldwide Nonproliferation and Disarmament Fund, promote bilateral and multilateral efforts to control the spread of missiles, nuclear and chemical/biological weapons, and destabilizing conventional arms transfers. These mutually reinforcing approaches to international security promote regional and global stability by enhancing the deterrent and defense capabilities of our friends and allies, and actively advancing U.S. nonproliferation and arms control objectives.

Our security assistance program complements U.S. arms control policy of promoting international security through the negotiation of equitable and verifiable agreements, and assuring compliance with existing agreements. It also enhances our ability to limit the proliferation of potentially destabilizing weapons, especially in regions of tension and conflict, by giving countries other means for insuring their security. As the President's nonproliferation and export control policy states, the United States will actively seek greater transparency in the area of arms transfers and promote regional confidence-building measures to encourage restraint on such transfers to regions of instability. Carefully structured security assistance programs support our arms control policy of allowing transfers which enhance stability, and our nonproliferation objectives of curbing the spread of weapons of mass destruction and their delivery systems.

The President's nonproliferation and export control policy requires the careful, case-by-case evaluation of each request for arms in terms of its contributions to enhanced deterrence and defense. The arms control implications of each transfer are essential elements of this evaluation, and each transfer is specifically reviewed for its impact upon U.S. arms control and nonproliferation objectives.

Such a review considers, *inter alia*, whether a proposed transfer is consistent with U.S. interests in maintaining or enhancing stability within the region; whether the proposed transfer can be absorbed without overburdening the recipient's military support system or financial resources; whether the proposed transfer adds or detracts from fulfilling our nonproliferation goals; and whether possible adverse effects of the transfer are offset by positive contributions to U.S. regional interests and objectives.

The Arms Control and Disarmament Agency (ACDA) exercises statutory authority for evaluating the arms control and nonproliferation implications of arms transfer proposals. As required by the Arms Export Control Act and the Foreign Assistance Act of 1961, ACDA assesses whether proposed military sales and assistance and commercial arms exports might contribute to an arms race; support international terrorism; increase the possibility of outbreak or escalation of conflict; prejudice the development or negotiation of bilateral or multilateral arms control arrangements; or adversely affect the arms control policy of the U.S.

*OTHER SUPPORTING INFORMATION*

ACDA also takes into account factors such as regional stability and the military balance; legitimate defense needs relative to threats; the military force structure, strategy and doctrine of the proposed recipient and its neighbors; whether the transfer would constitute a "new", offensive, power-projection, or destabilizing capability; and its proliferation implications.

ACDA is an active participant in the U.S. arms transfer and security assistance decision-making process. The Agency participates in the inter-agency security assistance program development process in order to ensure that arms control and proliferation implications are considered in the development of all programs contained in the annual security assistance budget request. ACDA continues to play an active role in the development and support of major Administration arms transfer and weapons nonproliferation initiatives, and participated in and contributed to, the comprehensive review of conventional arms transfer policy directed by the President. The agency is also playing a major role in the Administration's efforts to promote wider acceptance of the October 1991 London Guidelines on Conventional Arms Transfers, secure a global moratorium on antipersonnel landmine exports, and develop a post-COCOM regime to control conventional arms and dual-use technologies to regions of tension.

These efforts will accelerate as the focus of arms control adapts to the post-Cold War world, where regional instability and the proliferation of weapons of mass destruction increasingly pose the most dangerous threats to world peace. Recent initiatives to promote regional arms control arrangements and control the proliferation of weapons of mass destruction, their delivery systems, and destabilizing conventional weapons will intensify as we now share many common objectives with former adversaries.

At the same time, programs like the Nonproliferation and Disarmament Fund permit the use of security assistance funds for activities such as technical assistance in support of defense industry conversions or dismantlements, regional arms control arrangements and nonproliferation objectives. The United States remains committed to helping its friends and allies maintain and enhance their security through prudent arms transfers and nonproliferation initiatives which promote regional stability and world peace.

*OTHER SUPPORTING INFORMATION***ESTIMATING FOREIGN MILITARY SALES**

Foreign Military Sales (FMS) policies derive from U.S. statutes, Presidential directives, and policies of the Departments of State and Defense. The U.S. offers to sell defense articles and services (including training) under FMS procedures only in response to specific requests from authorized representatives of foreign governments or eligible international organizations.

The following table is in two parts. The first part shows the total dollar value by country of government-to-government FMS Letters of Offer and Acceptance (LOA's) signed in FY 1994, regardless of when the articles and services were or will be delivered.

The second part shows the estimated dollar values projected for FY 1995 and FY 1996. These estimates are derived through an analysis of each country under conditions of extreme uncertainty. Projections are based on: analysis of expectations of interests by potential purchasers which may not result in official requests; judgments of which requests may be approved and which may result in actual sales offers after completion of a thorough, and often lengthy, U.S. government review process; and a judgment not only of how essential the military equipment or defense service is to the country's defense needs, but also of whether the purchase will be approved during the purchasing country's budget process. Projections include an estimate of potential requests for major increases in scope (amendments) to prior-year cases. These amendments are reflected as a sale in the current fiscal year. In some instances, training, publications, maps, medical supplies, technical assistance, and some spare parts are not included in these figures. (Further information is provided in the classified annex to this document.)

Each phase of the request/offer/acceptance process has many variables which make it difficult to determine exactly when -- or even if -- a particular sale may occur. Variance of one day in a purchasing country's acceptance of a single significant sales agreement could shift the recording of the transaction from one fiscal year to the next. In addition, U.S. agreements cannot always be segregated on a cash or financing basis when Letters of Acceptances are concluded by purchasing countries. Also, for countries eligible for U.S. financing, it is not always possible to determine until full payment has been made how much of that payment was U.S.-financed.

**FOREIGN MILITARY SALES & CONSTRUCTION SALES AGREEMENTS**  
(DOLLARS IN THOUSANDS)

	ACTUAL FY 1994			ESTIMATED FY 1995	ESTIMATED FY 1996
	TOTAL SALES	DEFENSE ART/SERV	CONSTR/ DESIGN	TOTAL SALES	TOTAL SALES
<b>AFRICA:</b>					
BERN	250	250	0	0	0
BOTSWANA	1,784	1,784	0	200	0
CAPE VERDE	141	20	121	100	0
CHAD	836	836	0	1,100	0
DJIBOUTI	286	286	0	200	0
ETHIOPIA	1,306	1,306	0	500	0
GABON	101	101	0	0	0
GAMBIA	1,436	1,436	0	0	0
GHANA	1,453	870	583	300	0
GUINEA	499	499	0	100	0
GUINEA-BISSAU	1,369	1,369	0	300	0
KENYA	3,480	3,480	0	300	0
MADAGASCAR	100	100	0	100	0
MALAWI	462	462	0	10,000	0
MALI	750	750	0	0	0
MAURITIUS	650	650	0	0	0
MOZAMBIQUE	0	0	0	200	0
NAMIBIA	828	828	0	200	0
NIGER	158	5	153	700	0
NIGERIA	0	0	0	100	0
SAO TOME & PRINCIPE	0	0	0	100	0
SENEGAL	39	39	0	500	0
SEYCHELLES	40	1	39	2,000	0
SIERRA LEONE	18	18	0	100	0
TANZANIA	0	0	0	100	0
UGANDA	235	7	228	200	0
ZAIRE	0	0	0	100	0
ZAMBIA	128	128	0	400	0
ZIMBABWE	216	216	0	700	0
<b>REGIONAL TOTAL</b>	<b>16,565</b>	<b>15,441</b>	<b>1,124</b>	<b>18,600</b>	<b>0</b>
<b>AMERICAN REPUBLICS:</b>					
ANTIGUA-BARBUDA*	710	443	267	500	800
ARGENTINA	60,280	60,280	0	40,000	20,000
BARBADOS*	658	658	0	500	700
BELIZE	394	394	0	500	600
BOLIVIA	2	2	0	0	0
BOLIVIA - INTL. NARC.	24,084	20,877	3,207	8,000	18,000
BRAZIL	60,643	60,643	0	23,100	54,500
CHILE	1,407	1,407	0	5,000	6,000
COLOMBIA	69,038	69,038	0	15,000	31,500
COLOMBIA - INTL. NARC.	21,942	21,849	93	8,000	8,100
COSTA RICA	826	826	0	800	600
DOMINICA*	730	730	0	500	500
DOMINICAN REPUBLIC	1,099	1,099	0	700	900
ECUADOR	5,185	5,185	0	5,300	5,400
ECUADOR - INTL. NARC.	415	318	97	2,000	500
EL SALVADOR	22,464	19,730	2,734	4,600	0
GRENADA*	469	469	0	500	500
GUATEMALA	0	0	0	0	8,000
GUYANA	39	39	0	0	0
HAITI	0	0	0	5,000	10,000
HONDURAS	1,632	1,535	97	1,600	1,500
JAMAICA	914	914	0	1,500	1,200
MEXICO	4,285	4,285	0	3,500	3,600
PANAMA	416	416	0	100	0
PARAGUAY	234	234	0	100	0
PERU	0	0	0	1,600	0
ST. KITTS AND NEVIS*	851	851	0	500	500
ST. LUCIA*	851	851	0	500	500
ST. VINCENT & GRENADINES*	638	638	0	500	500

**FOREIGN MILITARY SALES & CONSTRUCTION SALES AGREEMENTS (CONTINUED)**  
 (DOLLARS IN THOUSANDS)

	ACTUAL FY 1994			ESTIMATED FY 1995	ESTIMATED FY 1996
	TOTAL SALES	DEFENSE ART/SERV	CONSTR/DESIGN	TOTAL SALES	TOTAL SALES
<b>AMERICAN REPUBLICS (CONT):</b>					
TRINIDAD & TOBAGO	1,189	1,189	0	600	600
URUGUAY	1,773	1,773	0	2,000	1,700
VENEZUELA	18,956	18,956	0	5,000	20,000
REGIONAL TOTAL	302,124	295,629	6,495	137,500	196,700
<b>EAST ASIA &amp; PACIFIC:</b>					
AUSTRALIA	261,354	261,354	0	46,000	5,500
BRUNEI	0	0	0	**	0
CAMBODIA	0	0	0	1,000	0
FIJI	0	0	0	5,100	200
INDONESIA	10,785	10,785	0	4,600	26,200
JAPAN	729,275	729,275	0	332,500	369,000
MALAYSIA	738,612	738,612	0	24,500	25,000
NEW ZEALAND	15,830	15,830	0	4,200	2,000
PHILIPPINES	21,238	21,238	0	20,000	20,000
SINGAPORE	456,340	456,340	0	76,100	99,000
SOUTH KOREA	433,160	433,160	0	363,000	1,802,000
TAIWAN	360,891	360,891	0	306,000	278,300
THAILAND	218,564	218,564	0	120,000	145,000
TONGA	15	15	0	0	0
REGIONAL TOTAL	3,246,064	3,246,064	0	1,303,000	2,772,200
<b>EUROPE &amp; CANADA:</b>					
ALBANIA	5	5	0	500	100
AUSTRIA	27,950	27,950	0	7,000	10,000
BELGIUM	19,607	19,607	0	10,000	20,000
BULGARIA	0	0	0	400	300
CANADA	119,920	119,920	0	90,000	150,000
DENMARK	48,766	48,766	0	50,000	21,000
ESTONIA	0	0	0	300	200
FINLAND	546,774	546,774	0	200,000	300,000
FRANCE	47,974	47,974	0	461,000	30,000
GERMANY	212,619	179,856	32,763	96,000	87,000
GREECE	308,105	308,105	0	190,800	341,400
HUNGARY	0	0	0	500	500
ITALY	44,673	44,673	0	29,100	40,000
LATVIA	27	27	0	200	200
LITHUANIA	0	0	0	100	100
LUXEMBOURG	118	118	0	500	500
MALTA	0	0	0	100	0
NETHERLANDS	47,688	47,688	0	714,500	50,000
NORWAY	159,240	159,240	0	3,700	34,000
POLAND	0	0	0	**	0
PORTUGAL	8,420	8,420	0	23,200	69,500
ROMANIA	0	0	0	5,000	1,500
SPAIN	58,212	58,212	0	65,400	27,000
SWEDEN	33,932	33,932	0	14,000	22,000
SWITZERLAND	37,159	37,159	0	35,000	55,000
TURKEY	2,194,101	2,194,101	0	575,500	320,000
UNITED KINGDOM	598,279	586,375	11,904	40,000	75,000
REGIONAL TOTAL	4,513,569	4,468,902	44,667	2,612,800	1,655,300
<b>NEAR EAST &amp; SOUTH ASIA:</b>					
BAHRAIN	39,999	39,999	0	75,000	90,000
BANGLADESH	0	0	0	7,500	0
EGYPT	474,585	473,646	939	780,000	1,470,000
INDIA	0	0	0	**	0
ISRAEL	2,447,308	2,447,156	152	117,200	672,000
JORDAN	53,386	53,386	0	12,000	20,000

**FOREIGN MILITARY SALES & CONSTRUCTION SALES AGREEMENTS (CONTINUED)**  
(DOLLARS IN THOUSANDS)

	ACTUAL FY 1994			ESTIMATED FY 1995	ESTIMATED FY 1996
	TOTAL SALES	DEFENSE ART/SERV	CONSTR/DESIGN	TOTAL SALES	TOTAL SALES
<b>NEAR EAST &amp; SOUTH ASIA (CONT):</b>					
KUWAIT	182,784	182,784	0	364,600	600,000
LEBANON	43,994	43,994	0	47,600	53,000
MOROCCO	17,731	17,731	0	36,200	20,100
OMAN	1,253	1,253	0	34,000	2,000
QATAR	4,031	4,031	0	2,300	2,300
SAUDI ARABIA	837,881	837,881	0	372,600	1,562,600
SRI LANKA	204	204	0	0	0
TUNISIA	18,480	18,480	0	4,500	25,300
UNITED ARAB EMIRATES	226,663	226,663	0	11,500	18,500
YEMEN	0	0	0	100	0
<b>REGIONAL TOTAL</b>	<b>4,348,299</b>	<b>4,347,208</b>	<b>1,091</b>	<b>1,865,100</b>	<b>4,535,800</b>
<b>NON-REGIONAL:</b>					
CLASSIFIED TOTALS a/	370,160	370,160	0	305,500	300,000
INTERNATIONAL ORG.	68,580	68,580	0	57,500	40,000
<b>NON-REGIONAL TOTAL</b>	<b>438,740</b>	<b>438,740</b>	<b>0</b>	<b>363,000</b>	<b>340,000</b>
<b>WORLDWIDE TOTAL</b>	<b>12,865,357</b>	<b>12,811,979</b>	<b>53,378</b>	<b>6,300,000</b>	<b>9,500,000</b>

NOTE: Totals may not add due to rounding.

\* These countries comprise the Eastern Caribbean. See Eastern Caribbean narrative for a discussion of specific country programs.

\*\* Less than \$500.

a/ For further information, please see the Classified Annex to this document.

*OTHER SUPPORTING INFORMATION***FOREIGN MILITARY SALES ADMINISTRATIVE COSTS**

The Foreign Military Sales (FMS) program is implemented, for the most part, by the same Department of Defense personnel who work in the military departments and defense agency procurement, logistic support and administrative organizations established to carry out DoD's requirements for procurement and support of weapons, equipment, supplies and services needed by our Army, Navy, Air Force and Marines. A small number of fully dedicated security assistance organizations and personnel are also employed by the military departments and defense agencies in accomplishing the FMS mission. This integration of FMS provides organizational efficiencies and procurement cost economies to both the U.S. and the FMS customer countries.

The Arms Export Control Act (AECA) requires that the costs of implementing FMS be paid by FMS customer countries. To satisfy this requirement, an "administrative surcharge" of 3-percent is applied to most FMS cases. A 5-percent rate is applied to non-standard articles and services and supply support arrangements. In addition, a "logistics support charge" of 3.1 percent is also applied on certain deliveries of spare parts, equipment modifications, secondary support equipment and supplies. These administrative funds, collected from the FMS customer, are made available to the military departments and defense agencies to pay for their FMS administrative costs related to such functions as FMS case preparation (including preparation of price and availability estimates/information), sales negotiations, case implementation, procurement, program control, ADP operations, accounting, budgeting and other financial and program management. A majority of the operating costs of overseas Security Assistance Organizations (SAOs) are also financed from FMS administrative funds. DSAA administers an annual budget process to develop estimated funding requirements and establish approved administrative funding levels.

The Foreign Operations, Export Financing and Related Programs Appropriations Act, 1995, P.L. 103-306, included, for FY 1995 only, a limitation of \$335 million on obligations of FMS administrative funds. All FMS administrative budget obligations and expenditures are from FMS customers' funds which have been collected into the U.S. Treasury in the Foreign Military Sales Trust Fund account. There is no net outlay impact on the U.S. budget from the operations of the FMS administrative budget.

In FY 1996, a higher level of FMS administrative budget funding is necessary to finance additional workyears required to execute the large sales which were made during the FY 1991 through the FY 1994 time period, as well as pay raises, inflation, an increase in Defense Business Operations Fund (DBOF) charges and a technical budget adjustment which has shifted personnel costs from the DBOF back into the FMS administrative budget.

The table which follows shows FMS administrative budget amounts for fiscal years 1994 through 1996.

**FMS ADMINISTRATIVE COSTS/WORKYEARS**  
(Dollars in Millions)

	Actual FY 1994		Estimated FY 1995 a/		Proposed FY 1996	
	Dollars	Workyears	Dollars	Workyears	Dollars	Workyears
Military Departments	246.3	4,134	262.1	4,397	267.0	4,337
Other Defense Activities	63.1	926	65.7	901	67.0	866
SAOs (Net)	22.7	479	23.2	483	21.0	411
Total	332.1	5,539	351.0	5,781	355.0	5,614

a/ Includes an additional \$16.0 million above the FY 1995 FMS Administrative Obligation ceiling established by P.L. 103-306. Congressional notification was provided on February 24, 1995.

*OTHER SUPPORTING INFORMATION***COMMERCIAL EXPORTS LICENSED OR APPROVED  
UNDER THE ARMS EXPORT CONTROL ACT**

The Office of Defense Trade Controls (DTC), Bureau of Political-Military Affairs, Department of State, administers the United States Government's program to control commercial exports of defense articles, services and technical data. DTC implements the Arms Export Control Act (AECA) through the International Traffic in Arms Regulations (ITAR), which includes the United States Munitions List (USML). DTC reviews all requests for licenses and other approvals to export defense articles, services or technical data; establishes licensing policies and procedures; and enforces compliance with the ITAR.

The data in the following chart on commercial arms sales are compiled by DTC based on information as of September 1994. The chart is in two parts. The first column, entitled "Actual Deliveries (Preliminary)", shows the preliminary dollar value totals by destination of exports during fiscal year 1994. These export totals are compiled from expired or completed licenses returned to DTC by the U.S. Customs Service, unless a more comprehensive method is available. The totals are preliminary because DTC licenses are approved for four calendar years, thereby allowing shipments to span five fiscal years, and are not returned by the U.S. Customs Service until the license is completed or expired. In some instances, training and technical assistance are not included in these figures. For further information, see also the classified annex to this document.

The second and third columns in the chart show the estimated dollar value totals by destination of possible deliveries in fiscal years 1995 and 1996. These estimates are based primarily on the dollar value of licenses approved for each destination during the prior two fiscal years (the dollar values of the authorized licenses are not shown). Not all approved licenses result in signed contracts and actual exports. Factors which affect the final export value include the availability of the licensed item for shipping, and how quickly the license will be returned to DTC. (See also the classified annex.) Other factors which cannot be quantified are economic and security conditions at the destination, and changing U.S. foreign policy and national security considerations. Countries for whom there were no actual deliveries in fiscal year 1994 and which had no authorized licenses for fiscal years 1993 and 1994 do not appear in this report.

The procedures for estimating defense commercial sales for out years (fiscal years 1995 and 1996) were revised for the 1995 CPD. Previous procedures for such estimates called for extrapolating exports for the first out year at forty percent of the actual dollar value of licenses approved in the previous two fiscal years. The second out year's exports would have been estimated at sixty percent of that two year total.

An analysis of preliminary worldwide exports for fiscal years 1988-1992 showed, however, exports ranging from an average of 4.3 percent to 21.18 percent of the total dollar value of approvals for the previous two years. It further showed that actual shipments for some countries have ranged from zero to values in excess of previous years' approvals, owing to changing economic and security conditions or acquisition of major defense systems. Based on this historical data, DTC now estimates exports for the first out year (fiscal year 1995) to be 10 percent of the total dollar value of approved licenses for the previous two years (fiscal years 1993 and 1994). The exports for the second out year (fiscal year 1996) are estimated to be fifty percent of those for fiscal year 1995.

**COMMERCIAL EXPORTS LICENSED OR APPROVED  
UNDER THE AECA  
(DOLLARS IN THOUSANDS)**

	ACTUAL DELIVERIES (PRELIMINARY) FY 1994	ESTIMATED DELIVERIES FY 1995	ESTIMATED DELIVERIES FY 1996
<u>AFRICA:</u>			
ANGOLA	0	207	103
BENIN	0	5	3
BOTSWANA	0	490	245
CAMEROON	0	162	81
CAPE VERDE	0	**	**
CHAD	0	**	**
CONGO	**	9	5
COTE D'IVOIRE	0	28	14
DJIBOUTI	0	**	**
ERITREA	0	3	1
ETHIOPIA	0	110	55
GABON	3	48	24
GAMBIA	0	**	**
GHANA	0	10	5
GUINEA	0	**	**
KENYA	0	2,271	1,135
LESOTHO	0	50	25
MADAGASCAR	0	**	**
MALI	0	6	3
MAURITIUS	4	24	12
MOZAMBIQUE	0	2	1
NAMIBIA	0	321	161
NIGER	49	**	**
NIGERIA	108	2,064	1,032
REUNION	0	2	1
SENEGAL	0	3	2
SEYCHELLES	0	4	2
SOMALIA b/	0	**	**
SOUTH AFRICA	13	502	251
SWAZILAND	0	**	**
TANZANIA	0	4	2
TOGO	0	2	1
UGANDA	0	10	5
ZAMBIA	0	62	31
ZIMBABWE	2	98	49
REGIONAL TOTAL	179	6,497	3,249
<u>AMERICAN REPUBLICS:</u>			
ANGUILLA	0	1	**
ANTIGUA-BARBUDA*	0	28	14
ARGENTINA	404	11,176	5,588
BAHAMAS, THE	0	2,991	1,496
BARBADOS*	0	2,352	1,176
BELIZE	6	12	6
BERMUDA	12	43	22
BOLIVIA	82	2,900	1,450
BRAZIL	241	37,447	18,723
BRITISH VIRGIN ISLANDS	0	1	**
CAYMAN ISLANDS	4	9	5
CHILE	11	14,068	7,034
COLOMBIA	456	7,973	3,986
COSTA RICA	57	1,657	828
DOMINICA*	1	8	4
DOMINICAN REPUBLIC	11	1,284	642
ECUADOR	63	3,404	1,702
EL SALVADOR	24	1,077	538
FRENCH GUIANA	28	53,265	26,632
GRENADA*	0	4	2
GUADELOUPE	0	19	10
GUATEMALA	18	1,593	796
GUYANA	0	23	12

**COMMERCIAL EXPORTS LICENSED OR APPROVED  
UNDER THE AECA (CONTINUED)**  
(DOLLARS IN THOUSANDS)

	ACTUAL DELIVERIES (PRELIMINARY) FY 1994	ESTIMATED DELIVERIES FY 1995	ESTIMATED DELIVERIES FY 1996
<b>AMERICAN REPUBLICS (CONT):</b>			
HONDURAS	6	1,209	604
JAMAICA	104	2,603	1,301
MARTINIQUE	0	6	3
MEXICO	1,086	58,428	29,214
NETHERLANDS ANTILLES	**	2,376	1,188
NICARAGUA	0	623	311
PANAMA	34	4,381	2,191
PARAGUAY	151	4,042	2,021
PERU	108	2,879	1,439
ST. KITTS AND NEVIS*	0	3	2
ST. LUCIA*	0	3	2
ST. PIERRE & MIQUELON	0	**	**
ST. VINCENT & GRENADINES*	0	16	8
SURINAME	0	78	39
TRINIDAD & TOBAGO	6	2,386	1,193
TURKS & CAICOS ISLANDS	0	1	**
URUGUAY	0	2,820	1,410
VENEZUELA	108	49,013	24,507
REGIONAL TDOTAL	3,021	272,202	136,099
<b>EAST ASIA &amp; PACIFIC:</b>			
AUSTRALIA	1,467	98,661	49,331
BRUNEI	1	4,739	2,369
CAMBODIA	0	15	7
CHINA	0	920	460
FIJI	0	68	34
FRENCH POLYNESIA	0	**	**
HONG KONG	116	42,104	21,052
INDONESIA	763	68,487	34,244
JAPAN	73,539	592,445	296,223
LAOS	0	**	**
MACAU	178	99	50
MALAYSIA	1,263	35,282	17,641
NAURU	0	2	1
NEW CALEDONIA	17	31	16
NEW ZEALAND	877	29,688	14,844
PAPUA NEW GUINEA	6	147	74
PHILIPPINES	276	29,228	14,614
SINGAPORE	676	116,969	58,485
SOUTH KOREA	5,351	358,761	179,380
TAIWAN	261,869	300,000	300,000
THAILAND	1,133	37,089	18,545
TONGA	0	1	**
VIETNAM	0	**	**
WESTERN SAMOA	0	1	**
REGIONAL TOTAL	347,532	1,714,737	1,007,370
<b>EUROPE &amp; CANADA:</b>			
ANDORRA	0	24	12
AUSTRIA	154	5,126	2,563
BELGIUM	214	49,049	24,525
BULGARIA	0	18	9
CANADA	0	6,183	3,092
CROATIA a/	0	**	**
CYPRUS	35	309	155
CZECH REPUBLIC	23	4,244	2,122
DENMARK	154	24,468	12,234
ESTONIA	0	87	44
FINLAND	12	41,311	20,655
FRANCE	2,084	43,991	21,996

**COMMERCIAL EXPORTS LICENSED OR APPROVED  
UNDER THE AECA (CONTINUED)**  
(DOLLARS IN THOUSANDS)

	ACTUAL DELIVERIES (PRELIMINARY) FY 1994	ESTIMATED DELIVERIES FY 1995	ESTIMATED DELIVERIES FY 1996
<u>EUROPE &amp; CANADA (CONT):</u>			
GERMANY	5,362	246,933	123,467
GIBRALTAR	0	6	3
GREECE	462	64,112	32,056
HUNGARY	24	458	229
ICELAND	7	10,924	5,462
IRELAND	185	382	191
ITALY	2,094	125,020	62,510
KAZAKHSTAN	0	60	30
LATVIA	0	6	3
LIECHTENSTEIN	2	4	2
LITHUANIA	0	232	116
LUXEMBOURG	2	13,734	6,867
MALTA	**	11	6
MOLDOVA	0	22	11
MONACO	0	12	6
NETHERLANDS	2,295	120,768	60,384
NORWAY	1,992	48,615	24,307
POLAND	**	1,999	1,000
PORTUGAL	48	21,399	10,699
ROMANIA	0	7	4
RUSSIA	0	554	277
SAN MARINO	0	6	3
SLOVAKIA	0	128	64
SLOVENIA a/	2	553	276
SPAIN	785	75,885	37,943
SWEDEN	377	82,488	41,244
SWITZERLAND	571	52,199	26,100
TURKEY	21,370	261,104	130,552
TURKMENISTAN	0	**	**
UKRAINE	0	4	2
UNITED KINGDOM	2,711	285,794	142,897
UZBEKISTAN	0	2	1
	<hr/>	<hr/>	<hr/>
REGIONAL TOTAL	40,965	1,588,231	794,119
<u>NEAR EAST &amp; SOUTH ASIA:</u>			
ALGERIA	0	2,003	1,002
BAHRAIN	95	6,880	3,440
BANGLADESH	28	181	91
BHUTAN	0	14	7
EGYPT	1,014	206,064	103,032
INDIA	1,936	17,394	8,697
ISRAEL	874	279,099	139,550
JORDAN	69	3,581	1,791
KUWAIT	65	84,598	42,299
LEBANON	158	600	300
MALDIVES, REPUBLIC OF	0	21	11
MOROCCO	330	5,899	2,949
NEPAL	0	18	9
OMAN	123	2,073	1,036
PAKISTAN	263	18,442	9,221
QATAR	11	2,867	1,434
SAUDI ARABIA	2,226	319,894	159,947
SRI LANKA	7	3,997	1,998
TUNISIA	2,912	635	318
UNITED ARAB EMIRATES	4,149	52,222	26,111
	<hr/>	<hr/>	<hr/>
REGIONAL TOTAL	14,260	1,006,482	503,243

**COMMERCIAL EXPORTS LICENSED OR APPROVED  
UNDER THE AECA (CONTINUED)**  
(DOLLARS IN THOUSANDS)

	ACTUAL DELIVERIES (PRELIMINARY) FY 1994	ESTIMATED DELIVERIES FY 1995	ESTIMATED DELIVERIES FY 1996
<b>NON-REGIONAL:</b>			
<b>CLASSIFIED TOTALS</b>	1,294,090	1,100,000	1,200,000
INTERNATIONAL ORG. a/	<u>131</u>	<u>291,928</u>	<u>145,964</u>
<b>NON-REGIONAL TOTAL</b>	<u>1,294,221</u>	<u>1,391,928</u>	<u>1,345,964</u>
<b>WORLDWIDE TOTAL</b>	1,700,178	5,980,077	3,790,044

\* These countries comprise the Eastern Caribbean. See Eastern Caribbean narrative for a discussion of specific country programs.

\*\* Less than \$500.

a/ Approvals for Croatia and Slovenia reflected in actual or estimated deliveries are either for use by UNPROFOR or judged not to violate the arms embargo.

b/ Approvals for Somalia reflected in actual or estimated deliveries are either for USG or UN operations in Somalia.

*OTHER SUPPORTING INFORMATION***OVERSEAS MILITARY PROGRAM MANAGEMENT**

U.S. military personnel are assigned to Security Assistance Organizations (SAOs) overseas to ensure effective planning and management of host country security assistance programs. These individuals serve under the direction and supervision of the Chiefs of U.S. Diplomatic Missions. The SAO provides liaison among the Mission, the Department of Defense, and the host country defense establishment in security assistance matters.

SAO personnel work closely with members of the host country defense establishment to develop and execute training programs and to accomplish realistic and effective procurement actions. These efforts are key to the development of a defense infrastructure capable of integrating weapons and support systems into the existing force structure. Professional exchanges and cooperative planning contribute to effective and efficient country security assistance programs.

The Department of Defense reviews staffing authorizations in coordination with the Department of State, the Chiefs of U.S. Diplomatic Missions, and the regional area military Commanders-in-Chief to ensure that SAOs are properly staffed to conduct their missions efficiently. These reviews have resulted in a reduction of U.S. military personnel authorizations from the 450 justified in last year's Congressional presentation materials to 428 for FY 1995.

In FY 1995, separate SAOs will be assigned to fifty-four countries. In twenty-four additional countries, programs will be administered by augmentation personnel assigned to carry out security assistance management functions under the supervision of the Defense Attache. In other countries with which the U.S. maintains a security assistance relationship, Defense Attaches and other Mission personnel manage the programs without augmentation personnel.

The following tables identify the security assistance authorized staffing levels and associated costs at the conclusion of FY 1994 and the estimated levels for FY 1995 and FY 1996. Actual assigned strengths for FY 1995 and FY 1996 may be less than the authorized levels shown. Staffing requirements may change as individual country programs develop.

## OTHER SUPPORTING INFORMATION

## U.S. SECURITY ASSISTANCE ORGANIZATIONS

DSA	- Defense Supply Advisor (India)
JUSMAG	- Joint U.S. Military Advisory Group (Philippines, Thailand)
JUSMAG-K	- Joint U.S. Military Advisory Group - Korea
KUSLO	- Kenya - U.S. Liaison Office
LIBMISH	- U.S. Military Mission, Liberia*
MAAG	- Military Assistance Advisory Group (Peru, Portugal)
MAP	- Military Assistance Program (Jordan)
MDAO	- Mutual Defense Assistance Office (Japan)
MILGP	- Military Group (Argentina, Bolivia, Chile, Colombia, Ecuador, El Salvador, Guatemala, Honduras, Venezuela)
MLO	- Military Liaison Office (Belize, Brazil, Eastern Caribbean, Haiti, Jamaica, Trinidad and Tobago)
ODC	- Office of Defense Cooperation (Belgium, Botswana, Denmark, France, Germany, Greece, Italy, Morocco, Netherlands, Niger, Norway, Paraguay, Portugal, Spain, Tunisia, Turkey, United Kingdom, Uruguay)
ODR	- Office of Defense Representative (Costa Rica)
ODRP	- Office of the Defense Representative - Pakistan
OMC	- Office of Military Cooperation (Bahrain, Egypt, Oman, Yemen*)
OMC-K	- Office of Military Cooperation - Kuwait
USDRO	- U.S. Defense Representative Office (Panama)
USLO	- U.S. Liaison Office (Djibouti, Qatar, United Arab Emirates)
USMTM	- U.S. Military Training Mission (Saudi Arabia)

\*NOTE: Though personnel authorizations exist for these positions, they are currently not staffed.

**OVERSEAS MILITARY PROGRAM MANAGEMENT**  
(DOLLARS IN THOUSANDS)

ORGANIZATION	ACTUAL FY 1994			ESTIMATED FY 1995			PROPOSED FY 1996			
	FNF COSTS	FMS COSTS	TOTAL	FNF COSTS	FMS COSTS	TOTAL	FNF COSTS	FMS COSTS	TOTAL	
<b>AFRICA:</b>										
BOTSWANA	OOO	126	37	163	115	48	163	115	43	158
CAMEROON	DAO a/	105	60	165	91	11	102	91	11	102
CHAD	DAO a/	83	48	131	76	49	125	76	49	125
CONGO	DAO	5	0	5	5	0	5	5	0	5
COTE D'IVOIRE	DAO	4	1	5	4	1	5	4	1	5
OJIBOUTI	USLO	111	111	222	101	101	202	101	99	200
ERITREA	EMBASSY	6	0	6	12	0	12	12	0	12
ETHIOPIA	DAO	8	0	8	7	0	7	7	0	7
GABON	EMBASSY	1	0	1	1	0	1	1	0	1
GAMBIA	EMBASSY	3	1	4	3	1	4	3	1	4
GHANA	EMBASSY	20	3	23	27	3	30	27	3	30
GUINEA	EMBASSY	5	1	6	5	1	6	5	1	6
KENYA	KUSLO	108	222	330	99	239	338	99	239	338
MADAGASCAR	DAO a/	39	7	46	18	0	18	15	0	15
MALAWI	DAO	3	1	4	3	1	4	3	1	4
MOZAMBIQUE	DAO	1	0	1	1	0	1	1	0	1
NAMIBIA	DAO	3	1	4	3	1	4	3	1	4
NIGER	ODC	75	76	151	68	80	148	72	74	146
NIGERIA	DAO a/	103	16	119	0	0	0	0	0	0
RWANDA	EMBASSY	3	0	3	3	0	3	3	0	3
SENEGAL	DAO a/	168	80	248	153	89	242	153	88	241
SIERRA LEONE	EMBASSY	1	0	1	1	0	1	1	0	1
SOUTH AFRICA	DAO	0	0	0	0	0	0	175	0	175
UGANDA	EMBASSY	3	0	3	3	0	3	3	0	3
<b>REGIONAL TOTAL</b>		<b>984</b>	<b>665</b>	<b>1,649</b>	<b>799</b>	<b>625</b>	<b>1,424</b>	<b>975</b>	<b>611</b>	<b>1,586</b>
<b>AMERICAN REPUBLICS:</b>										
ARGENTINA	USMILGP	220	184	404	201	200	401	203	200	403
BELIZE	USMLO	91	64	155	83	72	155	85	70	155
BOLIVIA	USMILGP	246	685	931	225	705	930	225	700	925
BRAZIL	USMLO	277	209	486	253	219	472	260	208	468
CHILE	USMILGP	158	111	269	144	121	265	144	121	265
COLOMBIA	USMILGP	478	532	1,010	436	548	984	439	543	982
COSTA RICA	ODR	238	54	292	217	56	273	219	55	274
DOMINICAN REPUBLIC	DAO a/	181	126	307	181	136	317	181	134	315
EASTERN CARIBBEAN	USMLO b/	110	91	201	100	105	205	100	105	205
ECUADOR	USMILGP	205	119	324	205	119	324	210	111	321
EL SALVADOR	USMILGP	388	660	1,048	314	640	954	366	521	887
GUATEMALA	USMILGP	210	33	243	207	34	241	218	34	252
HAITI	USMLO	95	45	140	90	54	144	111	48	159
HONDURAS	USMILGP	386	506	892	316	521	837	328	485	813
JAMAICA	USMLO	101	85	186	88	102	190	88	102	190
MEXICO	DAO a/	84	100	184	77	110	187	82	100	182
PANAMA	DAO a/	60	60	120	55	62	117	62	46	108
PARAGUAY	ODC	114	113	227	101	128	229	111	123	234
PERU	MAAG	405	91	496	286	94	380	297	85	382
TRINIDAD & TOBAGO	USMLO	34	48	82	31	56	87	9	4	13
URUGUAY	ODC	240	168	408	219	191	410	227	186	413
VENEZUELA	USMILGP	200	408	608	179	435	614	197	368	565
<b>REGIONAL TOTAL</b>		<b>4,521</b>	<b>4,492</b>	<b>9,013</b>	<b>4,008</b>	<b>4,708</b>	<b>8,716</b>	<b>4,162</b>	<b>4,349</b>	<b>8,511</b>
<b>EAST ASIA &amp; PACIFIC:</b>										
AUSTRALIA	DAO a/	52	75	127	38	92	130	38	92	130
CHINA	DAO	31	4	35	28	4	32	28	4	32
FIJI	DAO	9	1	10	8	1	9	8	1	9
INDONESIA	DAO a/	550	261	811	502	318	820	508	288	796
JAPAN	MDAO	181	560	741	165	577	742	165	581	746
MALAYSIA	DAO a/	119	120	239	109	135	244	111	137	248
MONGOLIA	DAO	0	0	0	23	0	23	23	0	23
NEW ZEALAND	DAO	5	5	10	5	5	10	6	5	11
PAPUA NEW GUINEA	DAO	10	1	11	9	1	10	10	1	11
PHILIPPINES	JUSMAG	645	1,513	2,158	315	930	1,245	216	387	603

## OVERSEAS MILITARY PROGRAM MANAGEMENT (CONTINUED)

(DOLLARS IN THOUSANDS)

ORGANIZATION	ACTUAL FY 1994			ESTIMATED FY 1995			PROPOSED FY 1996			
	FMF COSTS	FMS COSTS	TOTAL	FMF COSTS	FMS COSTS	TOTAL	FMF COSTS	FMS COSTS	TOTAL	
<b>EAST ASIA &amp; PACIFIC (CONT):</b>										
SINGAPORE	SAO	34	125	159	25	152	177	26	150	176
SOUTH KOREA	JUSMAG-K	1,012	1,991	3,003	752	2,238	2,990	777	2,124	2,901
THAILAND	JUSMAG	1,296	529	1,825	1,140	675	1,815	1,289	510	1,799
REGIONAL TOTAL		3,944	5,185	9,129	3,119	5,128	8,247	3,205	4,280	7,485
<b>EUROPE &amp; CANADA:</b>										
ALBANIA	DAO	0	0	0	112	0	112	167	0	167
AUSTRIA	DAO a/	59	41	100	54	42	96	60	38	98
BELGIUM	ODC	123	340	463	123	349	472	123	325	448
BULGARIA	DAO	1	0	1	20	0	20	177	0	177
CANADA	DAO a/	0	53	53	0	55	55	0	50	50
CZECH REPUBLIC	DAO a/	83	24	107	84	25	109	161	0	161
DENMARK	ODC	34	243	277	37	228	265	44	207	251
ESTONIA	DAO	0	0	0	17	0	17	172	0	172
FINLAND	DAO	0	2	2	0	2	2	0	2	2
FRANCE	ODC	102	443	545	101	444	545	104	415	519
GERMANY	ODC	122	816	938	146	799	945	149	706	855
GREECE	ODC	656	754	1,410	616	783	1,399	568	735	1,303
HUNGARY	DAO a/	78	15	93	78	15	93	145	15	160
ITALY	ODC	168	412	580	166	388	554	167	372	539
LATVIA	DAO	0	0	0	15	0	15	172	0	172
LITHUANIA	DAO	15	1	16	156	0	156	172	0	172
NETHERLANDS	ODC	89	232	321	89	253	342	89	250	339
NORWAY	ODC	49	141	190	42	144	186	42	133	175
POLAND	DAO a/	15	1	16	212	0	212	236	0	236
PORTUGAL	ODC	305	340	645	288	357	645	229	358	587
ROMANIA	DAO	8	0	8	8	0	8	175	0	175
RUSSIA	DAO a/	0	0	0	125	0	125	175	0	175
SLOVAKIA	EMBASSY	0	0	0	0	0	0	15	0	15
SPAIN	ODC	196	278	474	179	301	480	187	301	488
SWEDEN	DAO	0	9	9	0	9	9	0	8	8
SWITZERLAND	DAO	0	2	2	0	2	2	0	2	2
TURKEY	ODC	2,410	2,090	4,500	2,069	2,239	4,308	2,127	2,140	4,267
UKRAINE	DAO a/	5	0	5	115	0	115	185	0	185
UNITED KINGDOM	ODC	29	55	84	26	62	88	26	60	86
REGIONAL TOTAL		4,547	6,292	10,839	4,878	6,497	11,375	5,867	6,117	11,984
<b>NEAR EAST &amp; SOUTH ASIA:</b>										
ALGERIA	DAO a/	55	79	134	50	81	131	55	73	128
BAHRAIN	OMC	107	419	526	87	458	545	98	415	513
BANGLADESH	DAO a/	23	7	30	21	7	28	21	6	27
EGYPT	OMC	632	1,942	2,574	560	2,094	2,654	727	1,976	2,703
INDIA	OSA	137	95	232	125	98	223	125	89	214
ISRAEL	DAO	0	7	7	0	22	22	0	22	22
JORDAN	MAP	339	482	821	309	496	805	311	399	710
KUWAIT	OMC-K	77	110	187	65	129	194	70	117	187
LEBANON	DAO a/	36	36	72	33	37	70	36	34	70
MOROCCO	ODC	135	530	665	123	546	669	123	498	621
NEPAL	EMBASSY	15	3	18	14	3	17	14	3	17
OMAN	OMC	262	183	445	239	188	427	239	183	422
PAKISTAN	ODRP	450	222	672	429	229	658	406	129	535
QATAR	USLO	85	124	209	78	128	206	78	130	208
SAUDI ARABIA	USMTM	89	815	904	81	839	920	81	714	795
SRI LANKA	DAO a/	30	12	42	27	12	39	27	12	39
TUNISIA	ODC	218	310	528	210	319	529	199	323	522
UNITED ARAB EMIRATES	USLO	202	502	704	160	541	701	181	520	701
REGIONAL TOTAL		2,892	5,878	8,770	2,611	6,227	8,838	2,791	5,643	8,434
WORLDWIDE TOTAL		16,888	22,512	39,400	15,415	23,185	38,600	17,000	21,000	38,000

**OVERSEAS MILITARY PROGRAM MANAGEMENT (CONTINUED)**  
(DOLLARS IN THOUSANDS)

- a/ Personnel authorized to assist the OAO with security assistance management functions.
- b/ Manages programs for Eastern Caribbean countries.

## OVERSEAS MILITARY PROGRAM MANAGEMENT - PERSONNEL STRENGTHS

	ORGANIZATION	ACTUAL FY 1994				ESTIMATED FY 1995				PROPOSED FY 1996			
		MIL	CIV	LOCAL	TOTAL	MIL	CIV	LOCAL	TOTAL	MIL	CIV	LOCAL	TOTAL
<b>AFRICA:</b>													
BOTSWANA	ODC	2	1	0	3	2	1	0	3	2	1	0	3
CAMEROON	DAO a/	1	1	0	2	1	1	0	2	1	0	0	1
CHAD	DAO a/	2	0	1	3	1	0	1	2	1	0	1	2
DJIBOUTI	USLO	2	0	1	3	2	0	1	3	1	0	1	2
GHANA	EMBASSY	0	0	0	0	0	1	0	1	0	1	0	1
KENYA	KUSLO	6	2	2	10	5	2	2	9	4	2	1	7
LIBERIA	DAO a/c/	2	1	0	3	1	0	0	1	0	0	0	0
MADAGASCAR	DAO a/	1	0	1	2	0	0	0	0	0	0	0	0
NIGER	ODC	2	0	1	3	2	0	1	3	2	0	1	3
NIGERIA	DAO a/	1	1	1	3	0	0	0	0	0	0	0	0
SENEGAL	DAO a/	1	1	2	4	0	1	2	3	3	1	2	6
SOMALIA	ODC c/	0	0	2	2	0	0	1	1	0	0	0	0
SOUTH AFRICA	DAO	0	0	0	0	0	0	0	0	2	0	0	2
ZAIRE	DAO a/c/	1	0	2	3	1	0	2	3	1	0	2	3
REGIONAL TOTAL		21	7	13	41	15	6	10	31	17	5	8	30
<b>AMERICAN REPUBLICS:</b>													
ARGENTINA	USMILGP	3	1	2	6	3	1	2	6	3	1	2	6
BELIZE	USMLO	2	1	1	4	2	1	1	4	2	1	1	4
BOLIVIA	USMILGP	6	5	3	14	5	5	3	13	5	5	3	13
BRAZIL	USMLO	3	2	1	6	3	2	1	6	3	2	1	6
CHILE	USMILGP	2	0	1	3	2	0	1	3	2	0	1	3
COLOMBIA	USMILGP	9	3	10	22	9	3	10	22	9	3	10	22
COSTA RICA	ODR	2	2	3	7	2	2	3	7	2	2	3	7
DOMINICAN REPUBLIC	DAO a/	3	0	2	5	3	0	2	5	3	0	1	4
EASTERN CARIBBEAN	USMLO b/	4	0	0	4	4	0	0	4	4	0	0	4
ECUADOR	USMILGP	5	1	5	11	5	1	5	11	5	1	5	11
EL SALVADOR	USMILGP	12	2	13	27	7	1	10	18	7	1	10	18
GUATEMALA	USMILGP	3	1	3	7	3	1	3	7	3	1	3	7
HAITI	USMLO	1	0	1	2	1	0	1	2	1	0	1	2
HONDURAS	USMILGP	8	3	10	21	6	2	9	17	6	2	9	17
JAMAICA	USMLO	3	1	0	4	3	1	0	4	3	1	0	4
MEXICO	DAO a/	3	0	3	6	3	0	3	6	3	0	3	6
PANAMA	DAO a/	1	0	3	4	1	0	3	4	0	0	0	0
PARAGUAY	ODC	2	0	3	5	2	0	3	5	2	0	3	5
PERU	MAAG	5	1	5	11	2	1	5	8	2	1	5	8
TRINIDAD & TOBAGO	USMLO	2	0	0	2	0	0	0	0	0	0	0	0
URUGUAY	ODC	1	0	4	5	1	0	4	5	1	0	4	5
VENEZUELA	USMILGP	7	4	5	16	6	4	5	15	6	4	5	15
REGIONAL TOTAL		87	27	78	192	73	25	74	172	72	25	70	167
<b>EAST ASIA &amp; PACIFIC:</b>													
AUSTRALIA	DAO a/	3	1	0	4	3	1	0	4	2	1	0	3
INDONESIA	DAO a/	10	1	15	26	10	1	15	26	7	1	9	17
JAPAN	MOAO	5	4	5	14	5	4	5	14	5	4	5	14
MALAYSIA	DAO a/	3	1	2	6	3	1	2	6	3	1	2	6
MONGOLIA	DAO	0	0	0	0	0	0	1	1	0	0	1	1
PHILIPPINES	JUSMAG	18	1	13	32	18	1	13	32	6	1	6	13
SINGAPORE	SAO	4	1	0	5	4	1	1	6	4	1	1	6
SOUTH KOREA	JUSMAG-K	31	11	25	67	30	11	25	66	28	11	23	62
THAILAND	JUSMAG	23	1	15	39	23	1	15	39	22	1	15	38
REGIONAL TOTAL		97	21	75	193	96	21	77	194	77	21	62	160
<b>EUROPE &amp; CANADA:</b>													
ALBANIA	DAO	0	0	0	0	2	0	0	2	2	0	0	2
AUSTRIA	DAO a/	2	0	0	2	2	0	0	2	2	0	0	2
BELGIUM	ODC	2	1	3	6	2	1	3	6	2	1	3	6
BULGARIA	DAO	0	0	0	0	0	0	0	0	2	0	0	2
CANADA	DAO a/	1	0	1	2	1	0	1	2	1	0	1	2
CZECH REPUBLIC	DAO a/	2	0	0	2	2	0	0	2	2	0	0	2
DENMARK	ODC	1	1	2	4	1	1	2	4	1	1	2	4

**OVERSEAS MILITARY PROGRAM MANAGEMENT - PERSONNEL STRENGTHS  
(CONTINUED)**

ORGANI- ZATION	ACTUAL FY 1994				ESTIMATED FY 1995				PROPOSED FY 1996			
	MIL	CIV	LOCAL	TOTAL	MIL	CIV	LOCAL	TOTAL	MIL	CIV	LOCAL	TOTAL
<b>EUROPE &amp; CANADA (CONT):</b>												
ESTONIA	0	0	0	0	0	0	0	0	2	0	0	2
FRANCE	1	1	5	7	1	1	4	6	1	1	4	6
GERMANY	5	3	5	13	5	3	4	12	5	3	3	11
GREECE	ODC	11	4	11	26	10	4	11	25	9	4	11
HUNGARY	DAO a/	2	0	0	2	2	0	0	2	2	0	0
ITALY	ODC	3	0	4	7	3	0	4	7	3	0	4
LATVIA	DAO	0	0	0	0	0	0	0	2	0	0	2
LITHUANIA	DAO	0	0	0	0	2	0	0	2	2	0	0
NETHERLANDS	ODC	3	1	2	6	3	1	2	6	3	1	2
NORWAY	ODC	2	0	2	4	2	0	2	4	2	0	2
POLAND	DAO a/	2	0	0	2	2	0	1	3	2	0	2
PORTUGAL	ODC	8	2	5	15	7	1	5	13	6	1	4
ROMANIA	DAO	0	0	0	0	0	0	0	2	0	0	2
RUSSIA	DAO a/	0	0	0	0	2	0	0	2	0	0	2
SPAIN	ODC	4	2	1	7	4	2	1	7	4	2	1
TURKEY	ODC	30	6	15	51	29	4	13	46	29	4	9
UKRAINE	DAO a/	1	1	0	2	1	1	0	2	1	1	0
UNITED KINGDOM	ODC	2	1	0	3	2	1	0	3	2	1	0
REGIONAL TOTAL	82	23	56	161	85	20	53	158	91	20	48	159
<b>NEAR EAST &amp; SOUTH ASIA:</b>												
ALGERIA	DAO a/	1	0	1	2	0	0	1	1	0	0	1
BAHRAIN	OMC	6	1	0	7	6	1	0	7	6	1	0
BANGLADESH	DAO a/	0	0	1	1	0	0	1	1	0	0	1
EGYPT	OMC	27	9	18	54	29	9	18	56	29	9	18
INDIA	DSA	2	1	3	6	2	1	3	6	2	1	3
ISRAEL	DAO	0	0	0	0	0	1	0	1	0	1	0
JORDAN	MAP	11	2	5	18	11	2	5	18	8	2	4
KUWAIT	OMC-K	11	2	1	14	11	2	1	14	11	2	1
LEBANON	DAO a/	1	0	2	3	1	0	2	3	1	0	2
MOROCCO	ODC	6	2	5	13	5	2	5	12	4	2	5
NEPAL	EMBASSY	0	0	1	1	0	0	1	1	0	0	1
OMAN	OMC	5	1	1	7	5	1	1	7	5	1	7
PAKISTAN	ODRP	8	1	11	20	5	1	9	15	5	1	4
QATAR	USLO	2	1	0	3	2	1	0	3	2	1	0
SAUDI ARABIA	USMTH	69	4	9	82	69	4	9	82	66	3	9
SRI LANKA	DAO a/	0	0	1	1	0	0	1	1	0	0	1
TUNISIA	ODC	7	3	2	12	7	2	2	11	6	1	2
UNITED ARAB EMIRATES	USLO	6	1	2	9	6	1	2	9	6	1	2
YEMEN	OMC c/	0	0	1	1	0	0	1	1	0	0	0
REGIONAL TOTAL	162	28	64	254	159	28	62	249	151	26	55	232
WORLDWIDE TOTAL	449	106	286	841	428	100	276	804	408	97	243	748

- a/ Personnel authorized to assist the DAO with security assistance management functions.  
 b/ Manages programs for Eastern Caribbean countries.  
 c/ Although personnel authorizations exist for these positions, they are currently not staffed.

*OTHER SUPPORTING INFORMATION***EXCESS DEFENSE ARTICLES (EDA)**

Defense articles no longer needed by the U.S. armed forces are referred to collectively as Excess Defense Articles (EDA), and may be either sold to eligible countries under the Foreign Military Sales (FMS) program, or transferred under the provisions of Sections 516, 517, 518, 519, or 520 of the Foreign Assistance Act of 1961 (FAA), as amended. EDA does not apply to articles provided previously under Military Assistance Program (MAP) grants or those articles sold from stock to foreign governments through normal FMS procedures.

In determining which defense articles are excess, the definition from Section 644(g) of the FAA applies:

"Excess defense articles means the quantity of defense articles (other than construction equipment, including tractors, scrapers, loaders, graders, bulldozers, dump trucks, generators and compressors) owned by the United States Government, and not procured in anticipation of military assistance or sales requirements, or pursuant to a military assistance or sales order, which is in excess of the Approved Force Acquisition Objective and Approved Force Retention Stock of all Department of Defense Components at the time such articles are dropped from inventory by the supplying agency for delivery to countries or international organizations under this Act."

Items transferred under Sections 516, 517, 518, 519, and 520 of the FAA as grants are not priced per se. Except for specific exceptions authorized by Sections 518, 519, and 520 of the FAA, charges are levied for related services such as packing, crating, handling and transportation. However, current value of the material and the original acquisition value are provided to Congress as part of the notification procedure. EDA articles sold through FMS procedures are priced on the basis of condition as described in DoD 7000.14-R, and range from a high of 50 percent of original acquisition value for new equipment to a low of 5 percent for equipment in need of repair. Because the U.S. Government does not intend to replace these articles, they are exempt from Section 21(a)(2) of the Arms Export Control Act (AECA), which requires that the purchaser pay the replacement cost of defense articles purchased.

Section 31(d) of the AECA limits the annual acquisition value of EDA that may be provided to foreign governments by sales (except those reported as AECA Section 36(b) sales) and grants under Section 517 of the FAA. The limit applicable to FY 1995 is \$250 million of acquisition value. The transfer, in accordance with law, of ships, their on-board stores and supplies, are also excluded from the ceiling.

**EXCESS DEFENSE ARTICLES SOLD UNDER  
FOREIGN MILITARY SALES**  
(DOLLARS IN THOUSANDS)

	ACQUISITION VALUE	FY 1994 SALES VALUE
<u>AMERICAN REPUBLICS:</u>		
ARGENTINA	92,558	5,776
BRAZIL	12,007	1,282
MEXICO	<u>160</u>	<u>64</u>
REGIONAL TOTAL	104,725	7,122
<u>EAST ASIA &amp; PACIFIC:</u>		
AUSTRALIA	82,342	27,194
PHILIPPINES	282	14
SOUTH KOREA	<u>183</u>	<u>75</u>
REGIONAL TOTAL	82,807	27,283
<u>EUROPE &amp; CANADA:</u>		
AUSTRIA	12	6
CANADA	458	157
FRANCE	2,753	852
GERMANY	301	120
GREECE	353	142
TURKEY	<u>653</u>	<u>254</u>
REGIONAL TOTAL	4,530	1,531
<u>NON-REGIONAL:</u>		
INTERNATIONAL ORG. a/	<u>7,905</u>	<u>3,952</u>
NON-REGIONAL TOTAL	<u>7,905</u>	<u>3,952</u>
WORLDWIDE TOTAL	199,967	39,888

a/ NATO organizations.

**EXCESS DEFENSE ARTICLES GRANT TRANSFERRED  
UNDER THE PROVISIONS OF THE FOREIGN ASSISTANCE ACT  
(DELIVERIES IN FY 1994)**  
(DOLLARS IN THOUSANDS)

	ACQUISITION VALUE	FY 1994 CURRENT VALUE
<u>AFRICA:</u>		
BOTSWANA	1,100	55
SENEGAL	4,849	466
REGIONAL TOTAL	<u>5,949</u>	<u>521</u>
<u>AMERICAN REPUBLICS:</u>		
ARGENTINA	16,762	4,676
BOLIVIA	3,300	919
EL SALVADOR	236	27
HONDURAS	422	21
PARAGUAY	709	67
URUGUAY	2,200	1,363
REGIONAL TOTAL	<u>23,629</u>	<u>7,073</u>
<u>EAST ASIA &amp; PACIFIC:</u>		
PHILIPPINES	165	1
REGIONAL TOTAL	<u>165</u>	<u>1</u>
<u>EUROPE:</u>		
GREECE	94,367	15,936
PORTUGAL	2,607	521
TURKEY	103,848	27,846
REGIONAL TOTAL	<u>200,822</u>	<u>44,303</u>
<u>NEAR EAST &amp; SOUTH ASIA:</u>		
BAHRAIN	3,586	894
EGYPT	9,350	935
ISRAEL	181,562	40,616
MOROCCO	201,442	59,747
OMAN	401	132
REGIONAL TOTAL	<u>396,341</u>	<u>102,324</u>
WORLDWIDE TOTAL	<u>626,905</u>	<u>154,223</u>

*OTHER SUPPORTING INFORMATION*

## LEASED DEFENSE ARTICLES

The United States Government normally makes defense articles available to foreign governments through Foreign Military Sales (FMS) under the Arms Export Control Act (AECA). However, there may be exceptional instances in which a lease agreement would be the most appropriate method whereby U.S. defense articles can be made available to eligible foreign countries or international organizations. Such arrangements are authorized under the AECA, Chapter 6, when it is determined that there are compelling foreign policy and national security reasons for providing such articles on a lease rather than a sales basis and the articles are not for the time needed for public use.

Leases are concluded for a fixed duration of time not to exceed five years and provide that, at any time during the lease, the U.S. may terminate the lease and require the immediate return of the defense articles.

Lease terms require the lessee to pay the cost of restoration or replacement less any depreciation during the term of the lease if the articles are damaged, lost, or destroyed while leases.

The lessee country or international organization must pay in U.S. dollars all costs incurred by the U.S. Government in leasing the articles, including a rental payment which is equal to the depreciation of the articles while leased.

Chapter 6, AECA, provides for the waiver of both replacement charges and rental payments for leases entered into for purposes of cooperative research or development, military exercises, or communications or electronics interface projects, or to any defense article which has passed three quarters of its normal service life. Such waivers are made before the implementation of the lease agreement.

**LEASES UNDER THE  
ARMS EXPORT CONTROL ACT  
(IMPLEMENTED FY 1994)**  
(DOLLARS IN THOUSANDS)

	REPLACEMENT VALUE	TOTAL RENTAL VALUE
<b>AMERICAN REPUBLICS:</b>		
BRAZIL	6,548	1,286
CHILE	105	2
DOMINICAN REPUBLIC	402	0
REGIONAL TOTAL	<u>7,055</u>	<u>1,288</u>
<b>EAST ASIA &amp; PACIFIC:</b>		
AUSTRALIA	14,630	1,124
JAPAN	352	0
SINGAPORE	605	7
SOUTH KOREA	28,153	0
THAILAND	13,196	3,964
TAIWAN	12,766	4,200
REGIONAL TOTAL	<u>69,702</u>	<u>9,295</u>
<b>EUROPE &amp; CANADA:</b>		
CANADA	328	45
DENMARK	46,074	7,972
FRANCE	1,837	84
GERMANY	347	1
GREECE	5	0
NETHERLANDS	566	48
NORWAY	46	0
SPAIN	7,758	2,395
SWITZERLAND	272	27
TURKEY	46,362	14,539
UNITED KINGDOM	344	0
REGIONAL TOTAL	<u>103,939</u>	<u>25,111</u>
<b>NEAR EAST &amp; SOUTH ASIA:</b>		
BAHRAIN	5,555	747
SAUDI ARABIA	1,310	0
REGIONAL TOTAL	<u>6,865</u>	<u>747</u>
<b>NON-REGIONAL:</b>		
INTERNATIONAL ORG. a/	120,875	5,605
NON-REGIONAL TOTAL	<u>120,875</u>	<u>5,605</u>
WORLDWIDE TOTAL	<u>308,436</u>	<u>42,046</u>

a/ NATO organizations.

*OTHER SUPPORTING INFORMATION***STOCKPILING OF DEFENSE ARTICLES FOR FOREIGN COUNTRIES**

Section 514(b) of the Foreign Assistance Act of 1961 (FAA), as amended, establishes annual ceilings on the value of additions of defense articles located abroad that may be set aside, reserved, or otherwise earmarked from U.S. military inventories for use as war reserve stocks by allies (WRSA) or other foreign countries (other than NATO). For FY 1996, the administration proposes a ceiling of \$50 million. Most defense articles added to stockpiles under this ceiling will come from existing stocks.

As the term "war reserves" implies, these stocks are intended for use only in emergencies. For FY 1996, \$40 million of the proposed ceiling on the value of additions to worldwide stockpiles would be set aside for the Republic of Korea and \$10 million would be set aside for Thailand. In all cases, title to and control of the additions remain with the U.S. government. Pursuant to Section 514(a) of the FAA, any transfer to an allied or friendly country must be in accordance with the provisions of the security assistance legislation prevailing at the time.

Some additions in FY 1996 may consist of overseas U.S. defense stocks currently identified as war reserves for U.S. armed forces. These reserves would be identified in FY 1996 as war reserves to be held for emergency use under the terms of Section 514 of the FAA. While some of these additions may not be wholly relocated within the territory of the intended recipient in FY 1996, their value will not be counted a second time, when eventually relocated against the limitation in Section 514(b) of the FAA.

## OTHER SUPPORTING INFORMATION

**VALUE OF ANNUAL CEILINGS FOR STOCKPILING**  
*(\$ in thousands)*

<i>FISCAL YEAR</i>	<i>AMOUNT STOCKPILED</i>
1976 and 1977T	96,750
1977	125,000
1978	270,000
1979	90,000
1980	95,000
1981	85,000
1982	130,000
1983	125,000
1984	125,000
1985	248,000
1986	360,000
1987	125,000
1988	116,000
1989	77,000
1990	165,000
1991	378,000
1992	300,000
1993	389,000
1994	292,000
1995	250,000
1996 (Proposed)	50,000

## OTHER SUPPORTING INFORMATION

**COUNTRIES AND INTERNATIONAL ORGANIZATIONS  
ELIGIBLE FOR PURCHASING  
DEFENSE ARTICLES AND SERVICES**

Pursuant to Section 25(a)(8) of the Arms Export Control Act (AECA), the following is a listing of the countries and international organizations that the President has determined to be eligible under Section 3(a)(1) of the AECA to purchase defense articles and services. That a determination of record under Section 3(a)(1) exists does not signify in itself that sales will be made.

COUNTRY	DATE OF DETERMINATION
<b>Africa</b>	
Benin	January 2, 1973
Botswana	February 6, 1979
Burkina Faso	January 2, 1973
Burundi	August 28, 1991
Cameroon	January 2, 1973
Cape Verde	June 10, 1985
Central African Republic	February 2, 1987
Chad	September 1, 1977
Comoros	May 26, 1992
Congo	August 28, 1991
Djibouti	May 17, 1983
Equatorial Guinea	November 28, 1983
Ethiopia	January 2, 1973
Gabon	January 2, 1973
Gambia	February 2, 1987
Ghana	January 2, 1973
Guinea	January 2, 1973
Guinea-Bissau	June 10, 1985
Ivory Coast	January 2, 1973
Kenya	January 2, 1973
Lesotho	October 25, 1990
Liberia	January 2, 1973
Madagascar	October 29, 1974
Malawi	January 2, 1973
Mali	January 2, 1973
Mauritania	June 10, 1985
Mauritius	October 29, 1974
Mozambique	April 10, 1985
Namibia	October 25, 1990
Niger	January 2, 1973
Nigeria	January 2, 1973
Rwanda	February 27, 1981
Sao Tome & Principe	May 27, 1988
Senegal	January 2, 1973

## OTHER SUPPORTING INFORMATION

**COUNTRIES AND INTERNATIONAL ORGANIZATIONS  
ELIGIBLE FOR PURCHASING  
DEFENSE ARTICLES AND SERVICES  
(continued)**

COUNTRY	DATE OF DETERMINATION
Seychelles	July 20, 1989
Sierra Leone	February 5, 1985
Somalia	November 5, 1976
South Africa	June 27, 1994
Sudan	November 5, 1976
Tanzania	July 20, 1989
Togo	February 11, 1985
Uganda	July 20, 1989
Zaire	January 2, 1973
Zambia	August 11, 1992
Zimbabwe	October 26, 1982
<b>Latin America &amp; the Caribbean</b>	
Antigua & Barbuda	April 8, 1982
Argentina	January 2, 1973
Bahamas	December 13, 1973
Barbados	June 21, 1979
Belize	November 23, 1981
Bolivia	January 2, 1973
Brazil	January 2, 1973
Chile	January 2, 1973
Colombia	January 2, 1973
Costa Rica	January 2, 1973
Dominica	March 13, 1980
Dominican Republic	January 2, 1973
Ecuador	January 2, 1973
El Salvador	January 2, 1973
Grenada	April 3, 1984
Guatemala	January 2, 1973
Guyana	August 30, 1993
Haiti	January 2, 1973
Honduras	January 2, 1973
Jamaica	January 2, 1973
Mexico	January 2, 1973
Nicaragua	January 2, 1973
Panama	January 2, 1973
Paraguay	January 2, 1973
Peru	January 2, 1973
St. Kitts-Nevis	March 13, 1980
St. Lucia	January 2, 1973
St. Vincent and the Grenadines	March 13, 1980
Suriname	April 14, 1976

## OTHER SUPPORTING INFORMATION

**COUNTRIES AND INTERNATIONAL ORGANIZATIONS  
ELIGIBLE FOR PURCHASING  
DEFENSE ARTICLES AND SERVICES  
(continued)**

<b>COUNTRY</b>	<b>DATE OF DETERMINATION</b>
Trinidad and Tobago	January 2, 1973
Uruguay	April 14, 1976
Venezuela	January 2, 1973
 <b>East Asia &amp; the Pacific</b>	
Australia	January 2, 1973
Brunei	January 2, 1973
Cambodia	January 2, 1973
China	June 12, 1984
Cook Islands	January 6, 1993
Fiji	August 5, 1975
Indonesia	January 2, 1973
Japan	January 2, 1973
Korea	January 2, 1973
Laos	January 2, 1973
Malaysia	January 2, 1973
Marshall Islands	January 2, 1973
Micronesia	January 6, 1993
Burma	January 2, 1973
New Zealand	January 2, 1973
Papua New Guinea	December 16, 1980
Philippines	January 2, 1973
Singapore	January 2, 1973
Solomon Islands	January 6, 1993
Taiwan	January 2, 1973
Thailand	January 2, 1973
Tonga	November 5, 1987
Vanuatu	January 6, 1993
Vietnam	January 2, 1973
Western Samoa	January 6, 1993
 <b>Europe &amp; Canada</b>	
Albania	March 22, 1994
Austria	January 2, 1973
Belgium	January 2, 1973
Bulgaria	March 22, 1994
Canada	January 2, 1973
Czech Republic	January 5, 1994
Denmark	January 2, 1973
Estonia	March 22, 1994 b/

## OTHER SUPPORTING INFORMATION

**COUNTRIES AND INTERNATIONAL ORGANIZATIONS  
ELIGIBLE FOR PURCHASING  
DEFENSE ARTICLES AND SERVICES  
(continued)**

COUNTRY	DATE OF DETERMINATION
Finland	January 2, 1973
France	January 2, 1973
Germany	January 2, 1973
Greece	January 2, 1973
Hungary	December 6, 1991
Iceland	January 2, 1973
Ireland	January 2, 1973
Italy	January 2, 1973
Latvia	March 22, 1994 b/
Luxembourg	January 2, 1973
Lithuania	March 22, 1994 b/
Malta	January 2, 1973
Netherlands	January 2, 1973
Norway	January 2, 1973
Poland	December 6, 1991
Portugal	January 2, 1973
Romania	March 22, 1994
Slovakia	January 5, 1994
Spain	January 2, 1973
Sweden	January 2, 1973
Switzerland	January 2, 1973
Turkey	January 2, 1973
United Kingdom	January 2, 1973
Yugoslavia	January 2, 1973
 <b>Near East</b>	
Algeria	April 8, 1983/ April 10, 1985
Bahrain	August 5, 1975
Egypt	March 25, 1976
Iran	January 2, 1973
Israel	January 2, 1973
Jordan	January 2, 1973
Kuwait	January 2, 1973
Lebanon	January 2, 1973
Libya	January 2, 1973
Morocco	January 2, 1973
Oman	January 2, 1973
Qatar	January 2, 1973
Saudi Arabia	January 2, 1973
Tunisia	January 2, 1973
United Arab Emirates	January 2, 1973

## OTHER SUPPORTING INFORMATION

**COUNTRIES AND INTERNATIONAL ORGANIZATIONS  
ELIGIBLE FOR PURCHASING  
DEFENSE ARTICLES AND SERVICES  
(continued)**

<b>COUNTRY</b>	<b>DATE OF DETERMINATION</b>
Yemen Arab Republic	January 2, 1973 /a
<b>South Asia</b>	
Afghanistan	January 2, 1973
Bangladesh	January 15, 1981
India	January 2, 1973
Nepal	January 2, 1973
Pakistan	January 2, 1973
Sri Lanka	January 2, 1973
<b>International Organization</b>	
NATO and its Agencies	January 2, 1973
United Nations and its Agencies	January 2, 1973
Organization of African Unity	August 25, 1992
Organization of American States	January 2, 1973

a/ - Determination effective only for FMS cases accepted prior to May 1, 1990

b/- Section 906 of the Freedom Support Act (P.L. 102-511, dated October 24, 1992) made Estonia, Latvia and Lithuania eligible to acquire non-lethal defense articles from the U.S. Government. Presidential Determinations were subsequently signed March 22, 1994.

**FUNDING**  
(Dollars in Thousands)

**FOREIGN MILITARY FINANCING GRANTS (11-1082)**

	Actual FY 1994	Estimated FY 1995	Proposed FY 1996
Grant for Israel	1,800,000	1,800,000	1,800,000
Grant for Egypt	1,300,000	1,300,000	1,300,000
Grant - All Others	20,121	29,129	138,000
Administrative Costs	23,491	22,150	24,020
Unobligated Appropriation Expiring	67	0	0
Amounts Transferred to Other Accounts	5,600	0	0
<b>Total Appropriation</b>	<b>3,149,279</b>	<b>3,151,279</b>	<b>3,262,020</b>
Reobligations	3,435	0	0
Reimbursements	706	0	0
Transfers to Other Accounts	(5,600)	0	0
Appropriation Rescinded	(91,282)	0	0
<b>Total Budget Authority</b>	<b>3,056,538</b>	<b>3,151,279</b>	<b>3,262,020</b>
Unobligated Balance Expiring	(117)	0	0
Recovery of Prior Year Obligations	91,282	0	0
<b>Total Obligations</b>	<b>3,147,703</b>	<b>3,151,279</b>	<b>3,262,020</b>
<b>Net Outlays</b>	<b>3,992,728</b>	<b>3,606,188</b>	<b>3,442,790</b>

FUNDING (Continued)  
(Dollars in Thousands)

## FOREIGN MILITARY FINANCING PROGRAM ACCOUNT (11-1085)

	Actual FY 1994	Estimated FY 1995	Proposed FY 1996
Direct Loan Subsidy	38,118	47,917	89,888
Transfers to Other Accounts	8,412	0	0
Budget Authority	<u>46,530</u>	<u>47,917</u>	<u>89,888</u>
Total Obligations	38,118	47,917	89,888
Net Outlays	30,505	68,011	64,266

## FOREIGN MILITARY LOAN LIQUIDATING ACCOUNT (11-4121)

	Actual FY 1994	Estimated FY 1995	Proposed FY 1996
Obligations:			
Guarantee Claims	77,041	64,119	55,013
Total Obligations	<u>77,041</u>	<u>64,119</u>	<u>55,013</u>
Financing:			
Collections of Guarantee Claims	34,423	26,204	31,436
Change in Fund Balance:			
Fund Balance - Start of Year	901,387	433,026	100,251
Fund Balance - End of Year	433,026	100,251	0
Offsetting Collections From:			
Repayment of Guarantee Claims	34,423	26,204	31,436
Repayment of Direct Loans	297,949	494,718	262,496
Total Offsetting Collections	<u>332,372</u>	<u>520,922</u>	<u>293,932</u>
Net Outlays	213,029	(124,028)	(138,668)

FUNDING (Continued)  
(Dollars in Thousands)

## FOREIGN MILITARY FINANCING DIRECT LOAN FINANCING ACCOUNT (11-4122)

	Actual FY 1994	Estimated FY 1995	Proposed FY 1996
Direct Loans	769,500	619,650	765,000
Interest on Treasury Borrowing	27,447	34,980	76,328
Total Obligations/Financing Authority	796,947	654,630	841,328
Financing Disbursements	300,944	604,484	742,206
Less Offsetting Collections:			
Payments from FMF Program Account	(30,505)	(68,011)	(64,266)
Interest on Uninvested Funds	(19,710)	0	0
Payments from Country Loans	(421)	(42,150)	(75,444)
Financing Disbursements (Net)	250,278	494,323	602,496

## MILITARY DEBT REDUCTION FINANCING ACCOUNT (11-4174)

	Actual FY 1994	Estimated FY 1995	Proposed FY 1996
Payment to Liquidating Account	0	3,732	16,668
Interest on Debt to Treasury	0	280	1,316
Total Obligations	0	4,012	17,984
Outlays (Gross)	0	4,012	5,677
Less Offsetting Collections From:			
Federal Funds	0	(472)	(3,501)
Non-Federal Funds	0	(134)	(756)
Net Outlays	0	3,406	13,727

NOTE: The Military Debt Reduction Financing account shows the financial transactions involved in providing debt relief for military loans owed by the poorest countries in the context of Paris Club debt rescheduling. We expect to obtain agreement in the Paris Club for reduction of non-concessional debt by two thirds, with a larger reduction for democracies or countries making significant progress toward democracy. In FY 1995, this is expected to include military debt of about \$4.5 million in Niger, with a budget cost of \$67 thousand, and \$8.6 million in Senegal, with a budget cost of \$979 thousand.

**FUNDING (Continued)**  
**(Dollars in Thousands)**

**INTERNATIONAL MILITARY EDUCATION & TRAINING PROGRAM**

	Actual FY 1994	Estimated FY 1995	Proposed FY 1996
IMET Program	22,250	25,500	39,781
Unobligated Programs	(44)	0	0
Total Obligations	<u>22,206</u>	<u>25,500</u>	<u>39,781</u>
Unobligated Balance Lapsing	44	0	0
Budget Authority:			
Appropriation	21,250	25,500	39,781
Transfer from Other Accounts	1,000	0 a/	0
Total Budget Authority	<u>22,250</u>	<u>25,500 a/</u>	<u>39,781</u>
Net Outlays	30,127	25,812	39,508

a/ The President's FY 1996 Budget shows IMET Budget Authority of \$25,500 thousand in FY 1995. Subsequent to the release of the President's Budget, \$850 thousand was transferred out of the PKO account and into the IMET account (\$350 thousand for Botswana and \$500 thousand for Senegal) to enhance PKO training.

**ECONOMIC SUPPORT FUND**

	Actual FY 1994	Estimated FY 1995	Proposed FY 1996
Total Program (Obligations)	2,166,906	2,620,199	2,494,300
Recovery of Prior Year Obligations	(139,369)	0	0
Unobligated Balance Available, Start of Year	(421,701)	(501,599)	(250,000)
Unobligated Balance Available, End of Year	501,599	250,000	250,000
Unobligated Balance Lapsing	118	0	0
Budget Authority	<u>2,107,553</u>	<u>2,368,600</u>	<u>2,494,300</u>
Appropriation:			
Unobligated Balance Rescinded	2,364,562	2,368,600	2,494,300
Transferred to Other Accounts	(264,350)	0	0
Transferred from Other Accounts	(5,350)	0	0
Transferred from Other Accounts	9,200	0	0
Appropriation (Total)	<u>2,104,062</u>	<u>2,368,600</u>	<u>2,494,300</u>
Reappropriation	3,341	0	0
Budget Authority (Net)	<u>2,107,403</u>	<u>2,368,600</u>	<u>2,494,300</u>
Net Outlays	2,765,543	2,687,065	2,621,124
Supplemental Proposal:			
Budget Authority	0	82,300	0
Outlays	0	20,575	23,044
Total:			
Budget Authority	2,107,403	2,450,900	2,494,300
Outlays	2,765,543	2,707,640	2,644,168

**FUNDING (Continued)**  
**(Dollars in Thousands)**

**PEACEKEEPING OPERATIONS**

	Actual FY 1994	Estimated FY 1995	Proposed FY 1996
Peacekeeping Operations Program (Obligations)	75,623	75,000	100,000
Transfer From Other Accounts	6,812	0 a/	0
Supplemental Proposal	0	27,200	0
Budget Authority (Appropriation)	82,435	102,200 a/	100,000
Net Outlays	68,706	95,768	101,432

a/ The President's FY 1996 Budget shows PKO Budget Authority of \$102,200 thousand in FY 1995. Subsequent to the release of the President's Budget, \$850 thousand was transferred out of the PKO account and into the IMET account (\$350 thousand for Botswana and \$500 thousand for Senegal) to enhance PKO training.

**DEMOBILIZATION AND TRANSITION FUND**

	Actual FY 1994	Estimated FY 1995	Proposed FY 1996
Program by Activities:			
Total Obligations	0	16,907	0
Financing:			
Prior year obligation recovery	(7,907)	0	0
Unobligated balance available, start of year	(9,000)	(16,907)	0
Unobligated balance available, end of year	16,907	0	0
Budget Authority	0	0	0
Outlays	51,892	18,190	9,000

This fund was created pursuant to Section 531 of P.L. 101-513 which authorized its creation and funding through the transfer of funds from the Foreign Military Financing Grant account. The funds are to be used to support the costs of demobilization, retraining, relocation and reemployment in civilian pursuits of former combatants in the conflict in El Salvador.

FUNDING (Continued)  
(Dollars in Thousands)

MILITARY ASSISTANCE PROGRAM

	Actual FY 1994	Estimated FY 1995	Proposed FY 1996
Reprogramming of Prior Year Country Funds	8,795	0	0
Deobligation of Prior Year Country Funds	(8,795)	0	0
Unobligated Balances Rescinded	439	0	0
Net Outlays a/	23,215	74	0

a/ Net outlays represent the spendout of FY 1989 and prior year funding.

STATUS OF SECTION 506(a) DRAWDOWN AUTHORITY

	Used		Reimbursed	
	Fiscal Year	Amount	Fiscal Year	Amount
Thailand	1980	1,100 a/	1982	1,100
El Salvador	1981	25,000 a/	1982	5,000
Liberia	1981	1,000 a/	1982	1,000
El Salvador	1982	55,000 a/	1988	b/
Chad	1983	25,000 a/		
Chad	1986	10,000 a/		
Honduras	1986	20,000 a/		
Philippines	1986	10,000 a/		
Chad	1987	21,000 a/		
Colombia	1989	65,000 a/		
Jamaica	1989	10,000 a/		
Anti-Narcotics Asst c/	1990	53,300 d/		
Israel	1990	74,000 e/		
Philippine Disaster Relief	1990	10,000 d/		
Bangladesh	1991	20,000 d/		
Israel	1991	43,000 e/		
Turkey	1991	32,000 e/		
Turkey (Kurdish Relief) f/	1991	75,000 d/f/		
Colombia	1992	7,000 d/		
Mexico	1992	26,000 d/		
Pakistan	1992	5,000 d/		
Ecuador	1993	2,000 d/		
Dominican Republic	1994	15,000 e/		
Haiti, MNC	1994	50,000 e/		
Jamaica	1994	1,500 e/		
Rwanda	1994	75,000 d/		

a/ Equals drawdowns authorized based on Presidential Determinations, except for Chad (1987) where \$25,000 thousand was authorized.

b/ The FY 1988 final continuing resolution (P.L. 100-202) appropriated \$10,000 thousand to be used either for reimbursement for defense articles, services and training provided to the Philippines pursuant to the President's Section 506(a) Determination of September 16, 1986, or for MAP general costs. On February 29, 1988, the Secretary of Defense directed that the appropriation be used for MAP general costs.

c/ Includes Belize, Bolivia, Colombia, Ecuador, Jamaica, and Mexico.

d/ Section 506(a)(2), FAA authorized for non-military assistance purposes.

e/ Section 506(a)(1), FAA authorized for military assistance purposes.

f/ Kurdish Relief authorization exempted from \$75,000 thousand cap on Section 506(a).

**FUNDING (Continued)**  
**(Dollars in Thousands)**

**SPECIAL DEFENSE ACQUISITION FUND**

	Actual FY 1994	Estimated FY 1995	Proposed FY 1996
Purchases of Equipment (Obligations) a/	71,918	78,876	6,000
Financing:			
Recovery of Prior Year Obligations	(13,957)	(4,698)	(5,638)
Change in Unobligated Balances	(48,361)	(74,178)	(362)
Gross Budget Authority	9,600	0	0
Financing Disbursements	179,288	126,000	86,000
Offsetting Collections	(275,600)	(282,000)	(220,000)
Net Outlay	(96,312)	(156,000)	(134,000)
Return of Unobligated Balances Due to Program Cancellation b/	(266,000)	(282,000)	(220,000)

a/ FY 1995 estimated obligations are the last use of SDAF program authority (FY 1993/1995) for articles and services. FY 1996 obligations are for the closeout and termination expenses of SDAF, and do not include procurement of articles and services.

b/ This represents the planned transfer of all collections "in excess of obligation authority provided in prior appropriations Acts" pursuant to P.L. 103-87, September 30, 1993, which means that all FY 1994 and later collections are first deposited into the SDAF appropriation, and later transferred to the Treasury Miscellaneous Receipts Account, 3041. The return of capitalization does not affect the calculation of the net outlay.

**AIR BASE CONSTRUCTION IN ISRAEL**

	Actual FY 1994	Estimated FY 1995	Proposed FY 1996
Beginning Balance:			
Appropriation	253	254	0
Contract Authority	4,419	4,419	0
Ending Balance:			
Appropriation	254	0	0
Contract Authority	4,419	0	0
Withdrawal of Contract Authority	0	(3,148)	0
Deduction for Offsetting Collections	0	(1,271)	0
Net Outlays	0	254	0

FUNDING (Continued)  
(Dollars in Thousands)

## MILITARY-TO-MILITARY CONTACT PROGRAM

	Actual FY 1994	Estimated FY 1995	Proposed FY 1996
Unobligated Programs	0	12,000	0
Total Obligations	0	12,000	0
Budget Authority	0	12,000	0
Net Outlays	0	10,200	1,800

LEGISLATIVE HISTORY OF AUTHORIZATIONS & APPROPRIATIONS  
(Dollars in Thousands)

## FOREIGN MILITARY FINANCING PROGRAM

Fiscal Year	Executive Branch Request		Authorized		Appropriated	
	Budget Authority	Program	Budget Authority	Program	Budget Authority	Program
1970	275,000	350,000	250,000	340,000	70,000	0
1971	772,500	885,000	750,000 a/	840,000 a/	700,000 a/	0
1972	510,000	582,000	400,000	550,000	400,000	0
1973	527,000	629,000	400,000 b/	550,000	400,000 b/	0
1974	2,725,000	2,960,000	2,525,000 c/	2,930,000 c/	2,525,000 c/	0
1975	555,000	872,000	405,000	872,500	300,000	0
1976 d/	2,430,200	2,430,200	1,298,750	2,968,375	1,205,000	0
1977	2,179,600	2,179,600	740,000	2,022,100	740,000	0
1978	707,750	2,217,500	682,000	2,152,350	675,850	0
1979 e/	1,042,500	5,767,500	1,044,300	6,155,500	1,024,500	0
1980	658,880 f/	2,188,000 f/	673,500	2,235,000	645,000 b/	0
1981	734,000	2,840,000 g/	500,000	3,116,000	500,000 b/	3,046,187 b/
1982	1,481,800	4,054,400	800,000	4,069,525	800,000	3,883,500
1983	950,000 h/	5,273,300 h/	800,000	4,169,525	1,175,000 b/	5,106,500 b/
1984	1,000,000	5,656,000	1,315,000	5,761,500	1,315,000 b/	5,716,250 b/
1985	5,100,000	5,100,000	i/	i/	4,939,500 b/	4,939,500 b/
1986	5,655,000	5,655,000	5,371,000	5,371,000	5,190,000	5,190,000 j/
1987	5,861,000 k/	5,661,000	i/	i/	4,053,441 l/	4,053,441 l/
1988	4,421,150	4,421,150	m/	m/	4,017,000 n/	4,049,000
1989	4,460,000	4,460,000	o/	o/	4,272,750	4,272,750
1990	5,027,000	5,027,000	p/	p/	4,827,642	4,827,642 q/
1991	5,016,900	5,016,900	r/	r/	4,663,421 s/	4,663,421 s/
1992	4,610,000	4,610,000	t/	t/	3,928,548 u/	3,928,548 u/
1993	4,099,225	4,099,225	v/	v/	3,245,414 w/	3,245,414 w/
1994	3,231,657	3,232,157	x/	x/	3,052,397 x/	3,052,397 x/
1995	3,130,858	3,130,858	y/	y/	3,151,279 y/	3,151,279 y/
1996	3,262,020	3,262,020				

NOTE: Military Assistance Program included Foreign Military Sales Financing program prior to FY 1969.

a/ Includes \$500,000 thousand for Israel authorized by P.L. 91-441 and appropriated by P.L. 91-665.

b/ CRA limitation.

c/ Includes \$2,200,000 thousand for Emergency Security Assistance requested, authorized and appropriated for Israel.

d/ Includes transitional quarter (FY 1977).

e/ Includes \$2,200,000 thousand supplemental program for Israel and a \$1,500,000 supplemental program for Egypt.

f/ Includes a \$10,000 thousand amendment for Sudan and \$15,000 thousand for Oman.

g/ Includes \$200,000 thousand proposed budget amendment for Egypt.

h/ Reflects the amended budget request but not the supplemental budget request for program increase of \$525,000 thousand for guarantee loans.

i/ Authorization waived in Continuing Resolution Authority (P.L. 98-473 for FY 1985, and P.L. 99-500 for FY 1987).

j/ Reflects amounts appropriated under P.L. 99-190 (final CRA). Pursuant to P.L. 99-177 (Gramm-Rudman-Hollings), \$223,170 thousand not available for obligation.

k/ Includes a supplemental request of \$200,000 thousand.

l/ Includes \$4,040,441 thousand authorized by P.L. 99-500 CRA limitation and \$13,000 thousand authorized by P.L. 100-71.

m/ Authorization waived in Continuing Resolution (P.L. 100-202).

n/ P.L. 100-202 appropriated \$4,049,000 thousand for FY 1988. Also included in the law was a \$32,000 thousand rescission applicable to the FY 1985 and FY 1986 appropriation resulting in an adjusted appropriation of \$4,017,000 thousand, as shown in the FY 1989 President's Budget.

o/ Authorization waived in P.L. 100-461.

LEGISLATIVE HISTORY OF AUTHORIZATIONS & APPROPRIATIONS  
(Dollars in Thousands)

FOREIGN MILITARY FINANCING PROGRAM (Continued)

- p/ Authorization waived in P.L. 101-167.
- q/ Congress appropriated \$4,828,403 thousand which was reduced by .43% for use in the control of illicit drugs. In addition, \$20,000 thousand was transferred into the FMF account from the DDD budget (P.L. 101-165) resulting in \$4,827,641 thousand available to the FMF program.
- r/ Authorization waived in P.L. 101-513.
- s/ P.L. 101-513 appropriated \$5,066,921 thousand for FY 1991. Section 401(a) of P.L. 102-27 subsequently reduced that amount to \$4,663,421 thousand.
- t/ Authorization waived in P.L. 102-109, P.L. 102-145, and P.L. 102-266.
- u/ P.L. 102-266 appropriated \$4,100,000 thousand for FY 1992, reduced the amount appropriated by \$60,602 thousand and provided for the transfer of \$63,750 thousand of funds appropriated to the Demobilization and Transition Fund. P.L. 102-298 rescinded an additional \$47,100 thousand of the FY 1992 appropriation for a net appropriation of \$3,928,548 thousand.
- v/ Authorization waived in P.L. 102-391.
- w/ P.L. 102-391 appropriated \$3,300,000 thousand for FY 1993, rescinded \$25,586 thousand of prior year balance, and provided for the transfer of \$29,000 thousand to the Demobilization and Transition Fund for a net budget authority of \$3,245,414 thousand.
- x/ P.L. 103-87 appropriated \$3,149,279 thousand, including deobligation/reobligation authority. The Authorization was waived. During FY 1994, an Emergency Supplemental Appropriations Act was passed (P.L. 103-211) and it rescinded \$91,282 thousand of FY 1993 and prior year balances. Subsequently, an additional \$5,600 thousand was transferred to the IMET and Economic Support Fund accounts leaving a net appropriation of \$3,052,397 thousand.
- y/ P.L. 103-306 appropriated \$3,151,279 thousand. The Authorization was waived.

**LEGISLATIVE HISTORY OF AUTHORIZATIONS & APPROPRIATIONS  
(Dollars in Thousands)**

**FOREIGN MILITARY FINANCING  
DIRECT LOAN FINANCING ACCOUNT  
TOTAL PROGRAM**

Fiscal Year	Executive Branch Request	Financing Authority
1992	313,961	345,000 a/
1993	360,000	855,000 b/
1994	855,000	769,500 c/
1995	770,000	619,650 d/
1996	765,000	

a/ Continuing Resolution Authority (P.L. 102-109 and P.L. 102-145).

b/ P.L. 102-391 provides financing authority for direct loans of \$855,000 thousand for FY 1993.

c/ P.L. 103-87 provides financing authority for direct loans of \$769,500 thousand for FY 1994.

d/ P.L. 103-306 provides financing authority for direct loans of \$619,650 thousand for FY 1995.

**FOREIGN MILITARY FINANCING  
DIRECT LOAN SUBSIDY ELEMENT**

Fiscal Year	Executive Branch Request	Authorized	Appropriated
1992	57,490	a/	50,148 b/
1993	63,332	c/	149,200 d/
1994	120,457	e/	46,530 e/
1995	59,598	f/	47,917 f/
1996	89,888		

a/ Authorization waived under P.L. 102-109 and P.L. 102-145.

b/ P.L. 102-266 appropriated \$50,900 thousand for FY 1992 and reduced the appropriation by \$752 thousand for a net availability of \$50,148 thousand.

c/ Authorization waived in P.L. 102-391.

d/ P.L. 102-391 appropriated \$149,200 thousand for FY 1993.

e/ P.L. 103-87 appropriated \$46,530 thousand for FY 1994. The Authorization was waived.

f/ P.L. 103-306 appropriated \$47,917 thousand for FY 1995. The Authorization was waived.

LEGISLATIVE HISTORY OF AUTHORIZATIONS & APPROPRIATIONS (Continued)  
(Dollars in Thousands)

## MILITARY ASSISTANCE PROGRAM

Fiscal Year	Executive Branch Request	Authorized	Appropriated
1950	1,400,000	1,314,000	1,314,000
1951	5,222,500	5,222,500	5,222,500
1952	6,303,000	5,997,600	5,744,000
1953	5,425,000	4,598,400	4,219,800
1954	4,274,500	3,681,500	3,230,000
1955	1,778,300	1,591,000	1,192,700
1956	1,959,200	1,450,200	1,022,200
1957	2,925,000	2,225,000	2,017,500
1958	1,900,000	1,600,000	1,340,000
1959	1,800,000	1,605,000	1,515,000
1960	1,600,000	1,400,000	1,300,000
1961	2,000,000	a/	1,800,000
1962	1,885,000	1,700,000	1,600,000
1963	b/	1,700,000	1,325,000
1964	1,405,000	1,000,000	1,000,000
1965 c/	1,055,000	1,055,000	1,055,000
1966 c/	1,170,000	1,170,000	1,170,000
1967	917,000	875,000	792,000
1968	620,100	510,000	500,000
1969	420,000	375,000	375,000
1970	425,000	350,000	350,000
1971	690,000	690,000	690,000
1972	705,000	500,000	500,000
1973	780,000	553,100 d/	553,100 d/
1974 e/	685,000	512,500	450,000 f/
1975 g/	985,000	600,000	475,000
1976 h/ i/	790,000	245,875	252,200
1977	279,000	235,800	264,550
1978	230,000	228,900	220,000 j/
1979	133,500	133,500	83,375
1980 c/	160,200 k/	111,900 l/	110,000 d/
1981 c/	104,400	106,100	110,200 d/
1982 c/m/	131,400	231,400	171,412
1983 c/	557,000 n/	238,500 o/	383,325 d/
1984	747,000 p/	639,700	711,750 d/q/
1985	924,500	r/	805,100 d/
1986 c/	949,350	805,100	798,374 s/t/
1987 c/	1,257,450 u/	805,100	950,000
1988	1,329,800	v/	700,750
1989	467,000	w/	467,000 x/
1990	40,432	y/	z/
1991	0	0	0
1992	0	0	(6,750) D/
1993	0	0	(20,164) E/
1994	(439)F/	0	(439) F/

LEGISLATIVE HISTORY OF AUTHORIZATIONS & APPROPRIATIONS (Continued)  
(Dollars in Thousands)

## INTERNATIONAL MILITARY EDUCATION &amp; TRAINING PROGRAM

Fiscal Year	Executive Branch Request	Authorized	Appropriated
1976 a/	37,000	33,750	28,750
1977	32,200	30,200	25,000
1978	35,000	31,000	30,000
1979	32,100	31,800	27,900
1980	32,900	31,800	25,000 d/
1981	32,500	34,000	28,400 d/
1982	42,000	42,000	42,000
1983	53,700 o/	43,000	46,000
1984	56,532	56,452	51,532 d/
1985	60,910	r/	56,221 d/
1986	65,650	56,221	54,490 s/
1987	68,830	56,000	56,000
1988	56,000	v/	47,400
1989	52,500	w/	47,400
1990	54,500	y/	47,196 A/
1991	50,500	B/	47,196
1992	52,500	C/	47,196 G/
1993	47,500	H/	42,500 I/
1994	42,500	J/	22,250 J/
1995	25,500	K/	25,500 K/
1996	39,781		

NOTE: (1) The Military Assistance Program included International Military Education and Training Program prior to FY 1976.

(2) The Administration has not proposed Military Assistance Programs subsequent to FY 1990.

- a/ The Mutual Security Act of 1959, P.L. 86-108, approved July 24, 1959, states "There is hereby authorized to be appropriated to the President for the fiscal year 1961 and 1962 such sums as may be necessary from time to time to carry out the purpose of this chapter, which sums shall remain available until expended."
- b/ Foreign Assistance Act of 1961 authorized \$1,700,000 thousand; no executive branch request for authorization was required.
- c/ Does not include MAP drawdowns of \$75,000 thousand in FY 1965 and \$300,000 thousand in FY 1966, or Section 506(a) drawdowns of \$1,000 thousand in FY 1980; \$26,000 thousand in FY 1981; \$55,000 thousand in FY 1982; \$25,000 thousand in FY 1983; \$40,000 thousand in FY 1986; and \$25,000 thousand in FY 1987.
- d/ CRA limitation.
- e/ Includes funds requested separately for proposed International Military Education and Training Program finally authorized and appropriated as part of the Military Assistance Program. Does not include \$2,500,000 thousand for Section 506 drawdown authority.
- f/ Includes \$5,000 thousand transferred to AID.
- g/ Does not include \$75,000 thousand for Section 506 drawdown authority.
- h/ Includes transitional quarter (FY 1977).
- i/ Does not include \$275,000 thousand for Section 506 drawdown authority.
- j/ Includes \$40,200 thousand subsequently rescinded.
- k/ Includes a \$50,000 thousand supplemental for Turkey.
- l/ Includes a \$1,700 thousand Senate supplemental for Sudan.
- m/ Does not include \$7,100 thousand reimbursement for Section 506 drawdown authority.
- n/ Reflects the amended budget request but not the \$187,000 thousand supplemental budget request.
- o/ Reflects initial budget request; excludes \$1,000 thousand supplemental request.
- p/ Reflects initial budget request; excludes \$259,050 thousand supplemental request for Central America.
- q/ Includes supplemental appropriation of \$201,750 thousand for Central America.

LEGISLATIVE HISTORY OF AUTHORIZATIONS & APPROPRIATIONS (Continued)  
(Dollars in Thousands)

MILITARY ASSISTANCE PROGRAM AND INTERNATIONAL MILITARY EDUCATION  
& TRAINING PROGRAM (Continued)

- r/ Authorization waived in Continuing Resolution (P.L. 98-473).
- s/ Reflects amounts appropriated under P.L. 99-190 (final CRA). Pursuant to P.L. 99-177 (Gramm-Rudman-Hollings) \$33,626 thousand of MAP and \$2,343 thousand of IMET are not available for obligation.
- t/ Includes supplemental appropriation of \$50,000 thousand for the Republic of the Philippines.
- u/ Includes a supplemental request of \$261,000 thousand.
- v/ Authorization waived in Continuing Resolution (P.L. 100-202).
- w/ Authorization waived in P.L. 100-461.
- x/ P.L. 101-45 transferred \$2,000 thousand to contributions for international peacekeeping activities (Budget Account 19-9-1124).
- y/ Authorization waived in P.L. 101-167.
- z/ Administrative costs formerly designated as MAP General Costs (1080 account) are included in the Foreign Military Financing Appropriation (1082 account) effective 1 October 1989.
- A/ Congress appropriated \$47,400 thousand which was reduced by .43% for use in the control of illicit drugs, resulting in \$47,196 thousand available to the IMET program.
- B/ Authorization waived in P.L. 101-513.
- C/ Authorization waived in P.L. 102-109 and P.L. 102-145.
- D/ P.L. 102-298 rescinded \$6,750 thousand of prior year balances and \$5,760 thousand of previously disbursed amounts.
- E/ P.L. 102-298 rescinded \$20,164 thousand of prior year balances.
- F/ During FY 1994, P.L. 103-211, the FY 1994 Emergency Supplemental Appropriations Act, rescinded \$439 thousand of prior year appropriations.
- G/ P.L. 102-266 appropriated \$47,196 thousand for FY 1992. P.L. 102-298 rescinded \$1,925 thousand and P.L. 102-381 reduced it an additional \$698 thousand for a net availability of \$44,573 thousand.
- H/ Authorization waived in P.L. 102-391.
- I/ P.L. 102-391 appropriated \$42,500 thousand for FY 1993.
- J/ P.L. 103-87 appropriated \$21,250 thousand for FY 1994. The Authorization was waived. During FY 1994, an additional \$1,000 thousand was transferred into IMET from FMF making a total of \$22,250 thousand of appropriated funds available.
- K/ P.L. 103-306 appropriated \$25,500 thousand for FY 1995. The Authorization was waived. Subsequent to the release of the President's FY 1996 Budget, \$850 thousand was transferred out of the PKO account and into the IMET account (\$350 thousand for Botswana and \$500 thousand for Senegal) to enhance PKO training.

LEGISLATIVE HISTORY OF AUTHORIZATIONS & APPROPRIATIONS (Continued)  
(Dollars in Thousands)

## ECONOMIC SUPPORT FUND

Fiscal Year	Executive Branch Request	Authorized	Appropriated
1964	435,000	380,000	330,000
1965	405,000	405,000	401,000
1966	764,000	684,000	684,000
1967	750,000	715,000	690,000
1968	720,000	660,000	600,000
1969	595,000	410,000	365,000
1970	515,000	414,600	395,000
1971	600,000	414,600	414,600
1972	800,000	618,000	550,000
1973	848,800	a/	600,000 a/
1974	732,000	629,000	611,500
1975	1,425,300	1,377,000	1,200,000
1976	1,923,300	1,856,200	1,739,900
1977	50,200	464,100 b/	279,700 b/
1977	1,893,500	1,895,000	1,757,700
1978	2,232,200	2,235,000 c/	2,219,300 c/
1979 d/	2,204,400 e/	2,202,000	2,282,000
1980	2,115,100 e/f/	1,935,000	1,946,000 g/
1981	2,030,500	2,065,300	2,104,500 g/
1982	2,931,500	2,973,500	2,926,000
1983	2,886,000 h/	2,873,500	2,962,250 g/
1984	2,949,000 i/	3,074,000	3,254,250 g/j/
1985	3,438,100	k/	6,084,000 l/
1986	4,024,000	3,800,000	3,800,000 m/n/
1987	4,390,800 o/	p/	3,600,000 q/
1988	3,600,000 r/	3,200,820 r/	3,200,820 r/
1989	3,281,000 r/	3,258,500	3,258,500
1990	3,849,100 s/	3,916,510 t/	3,916,510 t/
1991	3,358,000 u/	3,175,000 v/	3,175,000 v/
1992	3,240,000 w/	3,216,624 g/	3,216,624 g/
1993	3,123,000 x/	2,670,000	2,670,000
1994	2,582,000	2,364,562	2,364,562
1995	82,300 y/	2,368,600	2,368,600
1996	2,494,300		

- a/ CRA level - \$618,000 thousand. There was no authorization level in FY 1973.  
b/ Section 506 of the International Security Assistance and Arms Control Act of 1976, P.L. 94-329, quarter not to exceed one-fourth of the total amount authorized in that Act for FY 1976.  
c/ Includes \$300,000 thousand for Portugal; also \$20,000 thousand for Lebanon, authorized as Disaster Assistance, but appropriated in the Security Support Assistance (SSA) account.  
d/ Includes a \$300,000 thousand supplemental for Egypt and \$100,000 thousand for Turkey.  
e/ Executive Branch request included ESF and PKO in one account--Security Supporting Assistance (SSA).  
f/ Includes an \$80,000 thousand supplemental for Central America.  
g/ CRA limitation.  
h/ Reflects initial budget request. Does not include the \$294,500 thousand supplemental budget request.  
i/ Reflects initial budget request. Does not include the \$340,500 thousand supplemental appropriation for Central America or the \$10,000 thousand for Poland.  
j/ Includes supplemental appropriation (P.L. 98-332).  
k/ Authorization waived in Continuing Resolution Authority (P.L. 98-473 for FY 1985, and P.L. 99-500 for FY 1987).

LEGISLATIVE HISTORY OF AUTHORIZATIONS & APPROPRIATIONS (Continued)  
(Dollars in Thousands)

ECONOMIC SUPPORT FUND (Continued)

- l/ Includes FY 1985 Supplemental of \$2,258,000 thousand.
- m/ Reflects amounts appropriated under P.L. 99-190 (final CRA). Pursuant to P.L. 99-177 (Gramm-Rudman-Hollings), \$159,358 thousand not available for obligation.
- n/ Includes \$100,000 thousand supplemental for the Republic of the Philippines.
- o/ Includes a supplemental request of \$297,000 thousand.
- p/ The International Development and Security Act of 1985 (P.L. 99-83) authorized \$3,800,000 thousand for both FY 1986 and FY 1987.
- q/ Includes \$50,000 thousand deobligation/reobligation reappropriation.
- r/ Includes \$12,500 thousand deobligation reobligation reappropriation estimate.
- s/ Includes \$18,000 thousand deobligation/reobligation reappropriation estimate and a \$500,000 thousand supplemental for Panama.
- t/ Includes \$20,000 thousand for Ireland (less \$145 thousand sequestration pursuant to P.L. 99-177), minus \$50,000 thousand pursuant to P.L. 101-167 and \$755,000 thousand supplemental (P.L. 101-302) for Panama, Nicaragua, Namibia and South Africa.
- u/ Includes \$14,000 thousand reappropriation estimate.
- v/ Includes \$14,000 thousand reappropriation estimate and \$30,200 thousand transferred to other accounts. Includes \$20,000 thousand for Ireland.
- w/ Includes \$12,000 thousand reappropriation estimate.  
proposed for rescission.
- x/ Includes \$11,000 thousand reappropriation estimate.
- y/ Executive Branch did not request Economic Support Funds in the President's Budget for FY 1995. The FY 1996 President's Budget includes a supplemental FY 1995 request of \$82,300 thousand.

LEGISLATIVE HISTORY OF AUTHORIZATIONS & APPROPRIATIONS (Continued)  
(Dollars in Thousands)

## PEACEKEEPING OPERATIONS

Fiscal Year	Executive Branch Request	Authorized	Appropriated
1979	a/	30,900	27,400
1980	a/	21,100	22,000 b/
1981	25,000	25,000	25,000 c/
1982	19,000	19,000	14,000 d/
1983	43,474	19,000	31,100 c/
1984	46,200	46,200	46,200 c/
1985	49,000	e/	44,000 c/
1986	37,000	37,000	34,000 f/
1987	39,000	37,000	31,689
1988	46,311	31,689	31,689
1989	41,689 g/	41,689	41,689
1990	33,377	32,773	32,773
1991	32,800	32,800	32,800
1992	378,000 h/	28,000	28,000 c/
1993	27,166	27,166	27,166
1994	77,166	82,435 i/	82,435 i/
1995	75,000	75,000	75,000 j/
1996	100,000		

FOREIGN MILITARY LOAN LIQUIDATING ACCOUNT  
(Formerly Guaranty Reserve Fund)

Fiscal Year	Executive Branch Request	Appropriated	Borrowing/Spending Authority	
			Actual	Estimated
1985	274,000	109,000	0	0
1988	0	532,000	0	0
1989	0	0	452,065	0 k/
1990	0	0	731,510	0 k/
1991	0	0	127,014	0 k/
1992	0	0	0	0 k/
1993	0	0	62,678	0 k/
1994	0	0	49,608	0 k/
1995	0	0		37,915 k/
1996				23,577 k/

## AIR BASE CONSTRUCTION IN ISRAEL

Fiscal Year	Executive Branch Request	Authorized	Appropriated
1979	800,000	800,000	800,000

LEGISLATIVE HISTORY OF AUTHORIZATIONS & APPROPRIATIONS (Continued)  
(Dollars in Thousands)

PEACEKEEPING OPERATIONS, FOREIGN MILITARY LOAN LIQUIDATING ACCOUNT  
AND AIR BASE CONSTRUCTION IN ISRAEL (Continued)

- a/ Executive Branch request included ESF and PKO in one account--Security Supporting Assistance (SSA).
- b/ CRA limitation (P.L. 96-123).
- c/ CRA limitation.
- d/ In addition, \$125,000 thousand appropriated under CRA (P.L. 97-51) and authorized by P.L. 97-132 for the Multinational Force and Observers.
- e/ Authorization waived in Continuing Resolution (P.L. 98-473).
- f/ Reflects amount appropriated under P.L. 99-190 (final CRA). Pursuant to P.L. 99-177 (Gramm-Rudman-Hollings), \$1.462 million of this amount is not available for obligation.
- g/ Includes \$10 million transfer from DOD allocated to Department of State pursuant to P.L. 101-45 used for UN mineclearing operations in Afghanistan.
- h/ Reflects an amendment to the FY 1992 budget to provide the United States' share to initiate UN peacekeeping activities in Cambodia and El Salvador, and for other peacekeeping requirements.
- i/ Includes appropriation of \$75,623 thousand plus \$6,812 thousand transferred from other accounts.
- j/ The President's FY 1996 Budget shows PKO Budget Authority of \$75,000 thousand in FY 1995. Subsequent to the release of the President's Budget, \$850 thousand was transferred out of the PKO account and into the IMET account (\$350 thousand for Botswana and \$500 thousand for Senegal) to enhance PKO training.
- k/ Use of borrowing from U.S. Treasury under authority of P.L. 100-202 in FY 1989, P.L. 101-167 in FY 1990, and P.L. 101-513 in FY 1991. Use of permanent indefinite appropriation authority in FY 1993 and FY 1994, and estimated use of the permanent indefinite appropriation authority in FY 1995 and FY 1996.

LEGISLATIVE HISTORY OF AUTHORIZATIONS & APPROPRIATIONS (Continued)  
(Dollars in Thousands)

MILITARY-TO-MILITARY CONTACT PROGRAM

Fiscal Year	Executive Branch Request	Authorized	Appropriated
1995	46,300 a/	46,300 a/	12,000 a/

a/ \$46,300 thousand was requested for the Military-to-Military Contact Program in the Department of Defense budget and was authorized by P.L. 103-337, National Defense Authorization Act. However, no funds were appropriated for this program in the DoD Appropriations Act. Instead, P.L. 103-306, Foreign Operations, Export Financing and Related Programs Appropriations Act, appropriated \$12,000 thousand for the Military-to-Military Contact Program.

## FY 1996 U.S. ECONOMIC &amp; MILITARY ASSISTANCE - REQUEST

\* DA country levels include attributions of central and regional programs.

	DA*	PL-480 Food		Peace Corps	Narcs	Other Econ	ESF	FMF	IMET	Other Military	TOTAL ASST.
		Title II	Title III								
SUB-SAHARAN AFRICA:											
Angola							10,000				10,000
Benin	17,132	1,963		1,621					150		20,866
Botswana	386			3,383					475		4,204
Burkina Faso	1,015	10,823		1,548							13,388
Burundi	4,813								125		4,938
Cameroon	315			1,970					100		2,385
Cape Verde	113	2,547		1,154					100		3,914
Central African Republic	2,902			1,850					125		4,877
Chad	616			1,488					100		2,204
Comoros	370			735					75		1,180
Congo	1,089			1,089					165		2,343
Cote d'Ivoire	229			1,823					160		2,212
Djibouti	100								150		250
Equatorial Guinea	25										25
Eritrea	9,624	4,080		1,215					250		15,149
Ethiopia	41,087	32,353	34,000	1,385					300		109,125
Gabon	50			3,053							3,103
Gambia	1,841	2,088		1,543							5,472
Ghana	45,294	8,611		2,783					250		56,938
Guinea	25,888			2,155					175		27,996
Guinea-Bissau	5,450	907		1,192					100		7,649
Kenya	31,820	6,951		2,777					350		41,698
Lesotho	172			2,841					75		2,888
Madagascar	31,277	3,174		1,256					100		36,807
Malawi	35,474			2,008					250		37,732
Mali	35,790	309		3,555					150		39,804
Mauritania	956			1,199							2,155
Mauritius	120										120
Mozambique	38,825	5,870	10,700						125		55,520
Namibia	9,835			2,831					250		12,818
Niger	28,315			2,979					300		31,594
Nigeria	28,827										28,827
Rwanda	5,451										5,451
Sao Tome & Principe	405			901					75		1,381
Senegal	29,103			2,739					600		32,442
Seychelles	180								60		240
Sierra Leone	749								120		869
Somalia	5,563										5,563

FY 1996 U.S. ECONOMIC & MILITARY ASSISTANCE - REQUEST

768

\* DA country levels include attributions of central and regional programs.

	DA*	PL-480 Food		Peace Corps	Narcotics	Other Econ	ESF	FMF	IMET	Other Military	TOTAL ASST.	
		Title II	Title III									
(\$ thousands)												
South Africa	131,878								500		132,378	
Swaziland	369			1,294					80		1,733	
Tanzania	42,632			2,175					175		44,982	
Togo	265			2,272							2,537	
Uganda	45,866			1,499					200		51,096	
Zambia	38,425			1,304					150		39,879	
Zimbabwe	23,388			1,823					250		25,461	
Africa Regional	42,540						14,350				56,890	
Horn of Africa	15,000	20,471									35,471	
Southern Africa Reg./SADCC	30,170										30,170	
REDSO/E	813										813	
REDSO/W	17,319										17,319	
<b>Total, Africa</b>	<b>827,315</b>	<b>103,858</b>	<b>44,700</b>	<b>63,020</b>			<b>24,350</b>		<b>6,610</b>		<b>1,069,852</b>	
<b>East Asia and the Pacific:</b>												
China				604							604	
Cambodia				1,800					3,000		42,820	
Fiji Islands & Tuvalu											1,800	
Indonesia	61,391	1,863							600		63,854	
Kiribati				536							536	
Laos					2,000						2,000	
Malaysia									600		600	
Marshall Islands				883							883	
Mongolia	800						10,000		100		11,975	
Micronesia & Palau				1,813							1,813	
Papua New Guinea				1,946					175		2,121	
Philippines	70,372	2,615		1,872					1,400		76,259	
Singapore									20		20	
Solomon Islands				1,239					125		1,364	
South Korea									10		10	
South Pacific							14,000				14,000	
Thailand				2,499					1,600		5,599	
Tonga				1,060					200		1,260	
Vanuatu				715					95		810	
Western Samoa				1,164					50		1,214	
Asia Regional	41,734						8,810				52,044	
<b>Total, East Asia &amp; Pacific</b>	<b>174,297</b>	<b>4,478</b>	<b>17,206</b>	<b>17,206</b>	<b>5,000</b>		<b>72,330</b>	<b>3,000</b>	<b>5,275</b>		<b>281,586</b>	

## FY 1996 U.S. ECONOMIC &amp; MILITARY ASSISTANCE - REQUEST

\* DA country levels include attributions of central and regional programs.

	DA*		PL-480		Peace Corps	Narcotics	Other Econ	ESF	FMF	IMET	Other Military	TOTAL ASST.
	Title I	Title II	Title III	Title IV								
(\$ thousands)												
<b>Europe and the NIS:</b>												
Albania			1,560				31,000			400		32,950
Armenia			1,382				30,000					31,382
Austria							9,000			15		16
Azerbaijan			2,892					5,000				9,000
Baltics (see page 9)							19,000			275		19,275
Belarus							80,640			200		80,840
Bosnia & Herzegovina			1,053				42,030			700		43,783
Bulgaria								20,000				20,000
CE Defense Infrastructure (see page 9)							13,210			200		13,410
Croatia								15,000				15,000
Cyprus			1,659				7,460			700		15,000
Czech Republic										385		9,819
Estonia										15		385
Finland										250		21,250
Georgia							21,000			50		50
Greece (grants)								(315,000)				(315,000)
Greece (loan)										950		30,242
Hungary			1,892				27,400	29,600				29,600
Ireland Fund										375		64,464
Kazakhstan			2,089				62,000			225		18,434
Kyrgyzstan			1,209				17,000			385		7,835
Latvia							7,450			385		13,074
Lithuania							12,689			250		16,974
Macedonia							16,724			75		75
Malta										225		31,339
Moldova			1,114				30,000					60,000
Warsaw Initiative (see page 9)								60,000				69,980
Poland			3,605				65,425			950		800
Portugal										700		48,137
Romania			1,391				46,046			1,075		264,241
Russia			3,166				260,000			525		34,260
Slovakia			1,270				32,465			300		4,595
Slovenia							4,295			50		50
Spain												7,000
Tajikistan							7,000	100,000		1,000		106,800
Turkey (grants)						400						(450,000)
Turkey (loan)			5,400									

## FY 1996 U.S. ECONOMIC &amp; MILITARY ASSISTANCE - REQUEST

\* DA country levels include attributions of central and regional programs.

	DA*	PL-480 Food		Peace Corps	Narcs	Other Econ	ESF	FMF	IMET	Other Military	TOTAL ASS'T.	
		Title II	Title III									
(\$ thousands)												
Turkmenistan				1,232		4,000			225		5,457	
Ukraine				2,439		159,000			950		162,389	
Uzbekistan				1,199		11,000			225		12,424	
Eastern Europe Regional						93,166					93,166	
N.I.S. Regional						159,000					159,000	
N.I.S./East Europe					4,000						4,000	
<b>Total, Europe &amp; the NIS</b>	<b>5,400</b>			<b>29,142</b>	<b>4,400</b>	<b>1,268,000</b>	<b>144,800</b>	<b>85,000</b>	<b>12,860</b>		<b>1,549,402</b>	
<b>Latin America &amp; the Caribbean:</b>												
Argentina									300		300	
Bahamas					700				100		800	
Belize				1,344					250		1,594	
Bolivia	40,531	17,898		2,580	80,000				500		121,489	
Brazil	16,927				1,000				200		18,127	
Chile				2,058					300		2,356	
Colombia	2,808				35,000				900		38,708	
Costa Rica				1,602					150		1,752	
Dominican Republic	18,186	3,452		2,548					500		22,685	
Eastern Caribbean				3,494					300		3,794	
Ecuador	18,250			3,386	850				400		22,888	
El Salvador	41,604			1,023					450		43,077	
Guatemala	31,152	9,784		3,413	2,550				250		47,149	
Guyana	4,651			1,451					150		6,252	
Haiti		15,715	10,000				90,270	7,000	400		123,385	
Honduras	29,974	4,410		3,118					400		37,902	
Jamaica	15,862			2,263	1,000				450		19,575	
Mexico	24,242							1,000			25,242	
Nicaragua	37,234			1,873					200		39,307	
PACAMS									600		600	
Panama	6,285			1,370					150		7,655	
Paraguay	8,285			3,092					500		12,527	
Peru	38,880	42,997			42,000				500		124,377	
Suriname									50		50	
Trinidad & Tobago									50		50	
Uruguay				1,768	500				260		2,018	
Venezuela									300		800	
Caribbean Peacekeeping								3,000			3,000	
ROCAP	17,870										17,870	

## FY 1996 U.S. ECONOMIC &amp; MILITARY ASSISTANCE - REQUEST

\* DA country levels include distributions of central and regional programs.

	DA*	PL-480 Food		Peace Corps	Narcs	Other Econ	ESF	FMF	IMET	Other Military	TOTAL ASST.
		Title II	Title III								
LAC Regional	33,260				7,000		27,550				67,810
<b>Total, Latin America &amp; Caribbean</b>	385,000	94,256	10,000	36,361	150,600		117,820	10,000	9,100		813,137
<b>Near East:</b>											
Algeria									75		75
Bahrain									100		100
Egypt							815,000	1,300,000	1,000		2,116,000
Israel	7,868						1,200,000	1,800,000			3,000,000
Jordan	4,000						7,200	30,000	1,200		46,258
Lebanon							4,000		475		8,475
ME Multilaterals							5,000				5,000
ME Regional (MERC)							7,000				7,000
Morocco	27,864			2,574					800		31,238
Oman									110		110
Tunisia				1,912					800		2,712
West Bank - Gaza	1,000						75,000				76,000
Yemen	9,485										9,485
<b>Total, Near East</b>	50,187			4,486			2,113,200	3,130,000	4,560		5,302,433
<b>South Asia:</b>											
Bangladesh	61,232	16,560							258		78,050
India	70,433	85,853							364		156,650
Maldives									80		80
Nepal	27,314			2,480					138		29,932
Pakistan	18,837			1,050					175		2,500
Sri Lanka											20,062
<b>Total, South Asia</b>	177,816	102,413		3,530					1,015		287,274
<b>TOTAL, COUNTRY ALLOCATIONS</b>	1,620,015	305,005	54,700	153,745	162,500		2,472,300	3,228,000	39,420		9,303,684
<b>Central Programs</b>											
USAID Programs:											
Global Programs, Field Support	399,085										
Humanitarian Response	72,200										
Policy Directorate	10,700										

## FY 1996 U.S. ECONOMIC &amp; MILITARY ASSISTANCE - REQUEST

\* DA country levels include attributions of central and regional programs.

	(\$ thousands)										TOTAL ASS'T.	
	DA*	PL-480 Title II	Food Title III	Peace Corps	Narcs	Other Econ	ESF	FMF	IMET	Other Military		
<b>PL-480:</b>												
Contingency Fund		200										200
Emergency Programs	352,113											352,113
Stock Adjustment	-14,505											-14,505
World Food Program	150,000											150,000
Farmer to Farmer	1,591	100										1,691
PVO Administration	13,500											13,500
DOT Reflows	-12,000	-5,000										-17,000
Adjustments for rounding	-1											-1
Crime Initiative						12,000						12,000
Administration of Justice/CITAP						10,000						10,000
Narcotics:												
Interregional Aviation Support					21,000							21,000
International Organizations					11,500							11,500
Law Enforcement & other training					11,500							11,500
Program Development & Support					6,500							6,500
<b>FMF:</b>												
FMF Loan Subsidies								89,888				89,888
Demining								10,000				10,000
Administrative Costs				80,255				24,020	361			104,838
<b>TOTAL, CENTRAL PROGRAMS</b>	481,885	490,898	-4,700	80,255	50,500	22,000	123,908	361				1,245,007
<b>TOTAL, GEOGRAPHIC &amp; CENTRAL</b>	2,102,000	796,703	60,000	234,000	213,000	1,268,000	2,494,300	3,351,908	39,781			10,548,892
<b>OTHER BILATERAL ASSISTANCE</b>												
International Disaster Assistance						200,000						200,000
Housing Credit Subsidy						16,760						16,760
Housing Admin.						7,240						7,240
Housing Guaranty Liquidating						-3,225						-3,225
MSED/ECP Credit Subsidy						12,000						12,000
MSED/ECP Admin.						2,500						2,500
Operating Expenses						529,000						529,000
Operating Expenses - I.G.						39,118						39,118
Foreign Service Retirement						43,914						43,914
Miscellaneous Trust Funds						5,500						5,500
Miscellaneous Trust Fund Receipts						-5,495						-5,495
Econ. Ass't. Loans Liquidating						-85,128						-85,128
USAID Loan Repayments						-531,800						-531,800

## FY 1996 U.S. ECONOMIC &amp; MILITARY ASSISTANCE - REQUEST

\* DA country levels include attributions of central and regional programs.

	DA*		PL-480		Narcs	Other		FMF	IMET	Other Military	TOTAL ASS'T.
	Title II	Title III	Food	Peace Corps		Econ	ESF				
(\$ thousands)											
Enterprise for the Americas:											
Debt Restructuring						42,000					42,000
Multilateral Investment Fund						100,000					100,000
Trade and Development Agency						67,000					67,000
Inter-American Foundation						31,760					31,760
African Development Foundation						17,405					17,405
Peace Corps Trust Fund				779							779
Migration & Refugee Assistance						671,000					671,000
Emer. Migration & Refugee Ass't.						50,000					50,000
Anti-Terrorism Assistance						16,000					16,000
Peacekeeping Operations						100,000					100,000
Non-Proliferation & Disarmament Fund						25,000					25,000
PL-480 Title I loan subsidy/admin.						133,583					133,583
PL-480 Title I transport costs						16,417					16,417
Misc. Trust Funds - DOT Receipts						-505					-505
OPIC loan subsidy/admin.						95,000					95,000
OPIC insurance activities						-191,500					-191,500
PL-480 Liquidating Account						-473,881					-473,881
Foreign Currency Loan Repayments						-22,900					-22,900
<b>TOTAL, OTHER BILATERAL ASS'T.</b>				779		925,963					926,742
Other Military Assistance:											
FMF Receipts										655,382	655,382
FMF Liquidating Account										-238,919	-238,919
Special Defense Acquisition Fund										[ -220,000 ]	[ -220,000 ]
<b>TOTAL, OTHER MILITARY ASS'T.</b>										894,301	894,301



United States Department of State

INTERNATIONAL  
NARCOTICS  
and  
LAW ENFORCEMENT  
AFFAIRS

Fiscal Year 1996  
CONGRESSIONAL  
PRESENTATION

**INTERNATIONAL NARCOTICS  
AND  
LAW ENFORCEMENT AFFAIRS  
FY 1996 CONGRESSIONAL PRESENTATION**

**TABLE OF CONTENTS**

<b>NARCOTICS PROGRAMS</b>	<b>Page</b>
Program Overview .....	1
Fiscal Summary .....	5
Functional Activity .....	6
<b>Latin America</b>	
Bahamas .....	7
Bolivia .....	11
Brazil .....	16
Colombia .....	19
Ecuador .....	25
Guatemala .....	29
Jamaica .....	33
Peru .....	37
Venezuela .....	42
Latin America Regional .....	45
<b>Asia/Africa/Europe</b>	
Laos .....	49
Pakistan .....	52
Thailand .....	55
Turkey .....	58
Asia/Africa/Europe Regional .....	61
NIS/East Europe Regional .....	64
Interregional Aviation Support .....	67
International Organizations .....	70
Law Enforcement Training, Drug Awareness/Demand Reduction.....	75
Program Development and Support .....	80
Staffing .....	83
<b>INTERNATIONAL CRIMINAL JUSTICE.....</b>	<b>84</b>

**INTERNATIONAL NARCOTICS AND LAW ENFORCEMENT AFFAIRS**  
**FY 1996 CONGRESSIONAL PRESENTATION**  
**PROGRAM OVERVIEW**

The spread of international narcotics trafficking and organized crime constitutes persistent and serious challenges to America's foreign and domestic interests in the post-Cold War era. The effects of these challenges tear at the very fabric of society, jeopardize emerging and established democracies, slow economic development, and threaten the environment. While narcotics and organized crime are distinctly different threats, requiring individually tailored programs, they share the need for a coordinated international response and the development of strong democratic judicial institutions to combat them.

The international narcotics trade is one of the most pervasive and insidious problems we face. From drug producer to user, tens of millions of people on virtually every continent are directly involved. Global narcotics trafficking generates an enormously disruptive illicit economy of hundreds of billions of dollars annually, spawns widespread corruption and intimidation, and condemns countless drug abusers to painful, sick, and unproductive lives. From Panama, where traffickers once held influence at the highest levels of government, to Italy, where traffickers tried unsuccessfully to cow the judiciary by systematically assassinating senior prosecutors, no country is immune. Driven by both supply and demand forces, the threat must be fought through an integrated global response of enforcement, public awareness/demand reduction, and economic support initiatives.

The end of the Cold War is also leaving American interests increasingly threatened by new and traditional international organized crime powers. Rich, violent, and predatory international crime syndicates are quick to exploit political, economic, and social vacuums created by countries in transition. As we are witnessing in the former Soviet republics, old criminal networks are growing more powerful and new groups are emerging faster than authorities can keep pace. Such groups threaten the consolidation of democracy from Eastern Europe and Russia, to Africa and Asia. There is a direct cost to the United States as well. Organized crime threatens the operations and personal safety of U.S. businessmen abroad, contributes to an escalation in serious crime, and reduces the effectiveness of U.S. assistance programs. They decay the very institutions upon which we depend to do fair and honest business.

The Department of State has formed the Bureau of International Narcotics and Law Enforcement Affairs (INL) to meet the challenges posed by narcotics trafficking and international organized crime. INL responsibilities include: developing, implementing and monitoring U.S. international counternarcotics strategies and programs in support of the President's National Drug Control Strategy; building greater cooperation among nations to enhance law enforcement institutions in newly emerging democracies; and improving international efforts to combat organized crime. INL functions also include foreign policy formulation and coordination, and diplomatic initiatives.

**INTERNATIONAL NARCOTICS CONTROL (\$213,000,000)**

On November 3, 1993, the President signed a directive that identified international narcotics control as a major U.S. foreign policy objective. Internationally, drug production and trafficking activities endanger democracy, economic development, and the global environment. The Department of State and other agencies responded with a new national drug control strategy that shifted the focus to source countries where the drug trade and trafficking organizations are more confined and vulnerable.

The FY 1996 program is designed to continue implementation of the strategy, including greater stress on multilateral efforts to strengthen democratic institutions, making them more effective in fighting international trafficking organizations. The program reflects our most extensive effort yet to integrate counternarcotics police and military law enforcement activities, drug awareness and demand reduction programs and training, and sustainable economic growth into comprehensive regional and country counternarcotics programs.

The proposed FY 1996 funding seeks to get key drug countries to shoulder more of the drug control burden and resist the destructive forces of narco-corruption and intimidation. It is directed at strengthening the rule of law, economic and social development, and anti-drug institutions in countries that are committed to narcotics control. We expect our material, training, and other assistance to lead to more professional and competent judicial and enforcement agencies, greater drug crop eradication and reduced production, and more vigorous law enforcement operations against major drug trafficking organizations. Our work with multilateral organizations, such as the UN and various international financial institutions, as well as enhanced coordination with U.S. bilateral economic assistance agencies, will increase because they can complement our efforts and operate where our access is limited.

The international narcotics control program represents a long-term commitment to reduce the level of illicit drug production, trafficking, and abuse on a global basis. By addressing all elements of the international grower-to-user chain, the program seeks not only to reduce the supply of narcotics entering the United States, but also to provide critical assistance and technical expertise to other nations committed to controlling their own drug problems. This program complements the efforts of individual countries.

The FY 1996 budget request for Latin America continues to focus on the major drug source countries of **Bolivia, Peru, and Colombia**. The budget increase for FY 1996 implements the President's decision to consolidate counternarcotics economic and military assistance programs into the State Department's international narcotics control budget.

The FY 1996 request will support narcotics control programs in **The Bahamas, Brazil, Ecuador, Guatemala, Jamaica, and Venezuela**, including moderate increases in commodities, drug awareness and demand reduction programs, training, and operational support.

The **Latin America Regional Cooperation** budget supports smaller bilateral counternarcotics efforts in the **Caribbean, Central America, Mexico** and the **Southern Cone**. The FY 1996 request seeks to address increasing drug trafficker activities involving drug shipments and money laundering activities in the region.

International narcotics control programs in Asia continue to support programs to reduce heroin production. The FY 1996 budget request sustains U.S. assistance to **Laos, Pakistan, Thailand** and **Turkey** for commodities, operational support, drug awareness and demand reduction, and U.S. administrative costs.

The **NIS/East Europe Regional Cooperation** account will be established in FY 1996 to assist countries in the region to develop and implement narcotics control programs. The FY 1996 budget builds on counternarcotics projects and training assistance already provided to the region and funds the State Department's Narcotics Affairs Section scheduled to open in Moscow in FY 1995.

The **Asia/Africa/Europe Regional Cooperation** budget will provide counternarcotics training, commodities, and public awareness projects for countries in the region, and continue funding of the Narcotics Affairs Liaison Office function.

The FY 1996 budget request for the **Interregional Aviation Support** program will continue to provide aviation services in support of host government counternarcotics law enforcement efforts in South and Central America and the Caribbean. This program assists crop control, interdiction, and aviation institution building activities.

The **International Organizations** will support expanded multilateral drug control operations, programs, and policy objectives of the United Nations International Drug Control Program, the Organization of American States Inter-American Drug Abuse Control Commission, the Colombo Plan, and the World Health Organization Program on Substance Abuse.

In FY 1996 request for **Narcotics Law Enforcement Training and Drug Awareness and Demand Reduction** increases training programs to create integrated systems in such areas as money laundering, chemical controls, and judicial programs. The FY 1996 request also addresses the emerging problem of heroin abuse and trafficking in Central Asia, Cambodia, Vietnam, and countries of the former Soviet Union. Additionally, the FY 1996 request will fund an increase in Drug Awareness and Demand Reduction efforts and will focus on comprehensive programs to strengthen public and private pressure against the drug trade.

**INTERNATIONAL CRIMINAL JUSTICE PROGRAMS (\$12,000,000)**

The Office of International Criminal Justice (ICJ) addresses the growing threat to our national security interests posed by international criminal activity, by building greater cooperation among nations to eliminate organized criminal groups, strengthening national law enforcement institutions in newly emerging democracies, and creating organizations which will aid in combatting organized crime. Key benefits of the ICJ program will include deterring alien smuggling at its source, increasing international cooperation to combat money laundering, supporting the United Nations program to reestablish the Somali national police and judicial system, and improving coordination of U.S. positions and programs in the field.

The FY 1996 **International Criminal Justice** programs will fund technical assistance and operational support initiatives to address money laundering, financial crime, alien smuggling, U.S. stolen cars, and anti-contraband.

**INTERNATIONAL NARCOTICS  
AND  
LAW ENFORCEMENT AFFAIRS  
FY 1996 BUDGET REQUEST**

(\$ in thousands)

PROGRAMS	1	FY 1994 Enacted	FY 1995 Plan	FY 1996 Request
<b>INTERNATIONAL NARCOTICS</b>				
<i>Latin America</i>				
Bahamas		700	700	700
Bolivia	*	44,067	25,829	60,000
Brazil		400	600	1,000
Colombia	*	28,700	29,000	35,000
Ecuador		500	500	850
Guatemala		2,000	2,500	2,550
Jamaica		600	600	1,000
Peru	*	17,800	16,000	42,000
Venezuela		400	500	500
L A Regional	*	4,735	4,000	7,000
		-----	-----	-----
<i>L A Subtotal</i>		99,902	80,229	150,600
<i>Asia/Africa/Europe</i>				
Laos		2,000	2,200	2,000
Pakistan		2,500	2,500	2,500
Thailand		3,000	1,250	1,500
Turkey		400	400	400
NIS/East Europe		--	--	4,000
Asia/Africa/Europe Regional		900	1,450	1,500
		-----	-----	-----
<i>Asia/AF Subtotal</i>		8,800	7,800	11,900
<i>Interregional Aviation Support</i>		19,000	24,000	21,000
		-----	-----	-----
<b>Total Country Programs</b>		127,702	112,029	183,500
<b>International Organizations</b>		5,000	6,500	11,500
<b>Narcotics Law Enf. Trng. and Drug Aware/ Demand Reduction</b>		8,000	7,000	11,500
<b>Program Development &amp; Support</b>		6,000	6,300	6,500
<b>TOTAL INTL . NARCOTICS</b>		146,702	131,829	213,000
<b>INTL . CRIMINAL JUSTICE</b>	2/3	--	25,165	12,000
		-----	-----	-----
<b>TOTAL INL</b>	1	146,702	156,994	225,000

1 Countries with an asterisk \* include INL, Military and Economic Counternarcotics programs.

2 Budget estimates for administrative and operating expenses for International Criminal Justice (ICJ) programs are not included in this budget request.

3 In FY 1995, a total of \$23.665 mil was transferred to INL for implementation of ICJ programs, \$13.665 FSA, \$5 mil SEED and \$5 mil ESF. \$1.5 mil was held by USAID for foreign participant support costs.

4 In FY 1996, \$12 mil reflected for ICJ in the INL budget will be included in the FY 1996 ESF budget request. Additional FSA and SEED funding for ICJ programs will be included in the appropriate budget requests.

**FY 1994 - FY 1996**  
**INTERNATIONAL NARCOTICS**  
**AND**  
**LAW ENFORCEMENT AFFAIRS**  
**BUDGET SUMMARY BY FUNCTIONAL ACTIVITY**  
 (DOLLARS IN THOUSANDS)

	1/ FY 1994 Enacted	% OF Total	FY 1995 Plan	% OF Total	FY 1996 Request	% OF Total
Law Enforcement Assistance and Institution Development	57,797	39.4	56,769	43.1	73,500	34.5
Military Counternarcotics Support	10,667	7.3	12,829	9.7	26,000	12.2
Sustainable Development	35,400	24.1	14,000	10.6	47,000	22.1
Crop Control/Eradication	12,500	8.5	13,000	9.9	18,000	8.5
International Organizations	5,000	3.4	6,500	4.9	11,500	5.4
Drug Awareness/ Demand Reduction	4,370	3.0	5,731	4.3	8,000	3.8
Law Enforcement Training	5,500	3.7	7,000	5.3	11,500	5.4
Program Development and Support	15,468	10.5	16,000	12.1	17,500	8.2
<b>TOTAL NARCOTICS PROGRAMS</b>	<b>146,702</b>	<b>100</b>	<b>131,829</b>	<b>100</b>	<b>213,000</b>	<b>100</b>
<b>INTERNAT'L CRIMINAL JUSTICE</b>	<b>0</b>		<b>25,165</b>	<sup>2</sup> <sub>3</sub> <sub>4</sub>	<b>12,000</b>	<sup>2</sup> <sub>3</sub> <sub>4</sub>
<b>TOTAL PROGRAM PLAN</b>	<b>146,702</b>		<b>156,994</b>		<b>225,000</b>	

1 FY 1994 and FY 1995 include INL, Military and Economic Counternarcotics programs not appropriated to INL.

2 Budget estimates for administrative and operating expenses for International Criminal Justice (ICJ) programs are not included in this budget request.

3 In FY 1995, a total of \$23.665 mil was transferred to INL for implementation of ICJ programs, \$13.665 FSA, \$5 mil SEED and \$5 mil ESF. \$1.5 mil was held by USAID for foreign participant support costs.

4 In FY 1996, \$12 mil reflected for ICJ in the INL budget will be included in the FY 1996 ESF budget request. Additional FSA and SEED funding for ICJ programs will be included in the appropriate budget requests.

## THE BAHAMAS

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

PROGRAM SUMMARY  
(Dollars in Millions)

ACTUAL FY 1994	ESTIMATED FY 1995	REQUEST FY 1996
.700	.700	.700

## OBJECTIVES:

- Preclude use of Bahamian territory and territorial waters for the movement of cocaine or other illicit drugs;
- Arrest and prosecute drug traffickers to the fullest extent of the law;
- Control money laundering; and
- Discourage drug abuse by supporting local drug abuse control, prevention and education programs.

## JUSTIFICATION:

The International Narcotics Control program provides assistance to the Royal Bahamas Police Force (RBPF), the Royal Bahamas Defense Force (RBDF), and other Government of the Commonwealth of The Bahamas (GCOB) agencies, the U.S. and GCOB carry out effective combined drug law enforcement operations. The counternarcotics program also supports judicial enhancement activities to increase the efficiency and effectiveness of Bahamian courts in bringing drug law violators to justice. Support for drug abuse control reduces drug use and increases intolerance of drug trafficking.

Strategically located near Florida, The Bahamas is a major cocaine transit and a significant money laundering country. On the basis of seizure levels, it appears that effective interdiction efforts and local law enforcement and prosecutions, combined with other international narcotics control efforts, have made inroads in reducing the amount of U.S.-destined cocaine passing through The Bahamas. Cocaine seizures in The Bahamas and adjacent international waters in 1993 totalled 1.9 metric tons, dropping year by year from the 1987 high of 12.6 metric tons.

Drug interdiction cooperation between the United States and The Bahamas is excellent and hopefully will remain so. Bilateral cooperation has permitted establishment of a significant interdiction and investigation infrastructure in The Bahamas, involving U.S. aircraft, ships, radar, and personnel. U.S. Coast Guard and Army helicopters assigned to joint interdiction bases in Nassau, George Town, Great Inagua, and elsewhere support Operation Bahamas, Turks and Caicos (OPBAT), an effort by The Bahamas and Turks and Caicos Islands police and DEA to intercept loads of cocaine and conduct investigations.

The narcotics assistance program seeks to strengthen Bahamian agencies engaged in counternarcotics activities, including the RBPF and the GCOB judicial system. It includes support for OPBAT bases, a Joint Information Collection Center (JICC), training and materiel for Bahamian narcotics enforcement personnel, improvements in the judicial system, and public awareness and education efforts.

Through the **Narcotics Law Enforcement** projects, minimal support will continue for OPBAT bases which are manned by both Bahamian and U.S. personnel. This support will include base operating costs such as electricity, equipment repair and maintenance, air conditioning, runway resurfacing, and other support costs. We will encourage the GCOB to assume increased responsibility in OPBAT.

The program will fund training and equipment for the Drug Enforcement Unit of the RBPF, the principal drug law enforcement and investigation force of The Bahamas. JICC equipment will be upgraded and operations expanded through advanced training. Other RBPF elements will also receive assistance, including the Canine Squad, the Internal Security Division, and the Corruption and Investigation Unit, which is responsible for asset-forfeiture investigations. The GCOB will be encouraged to take action on tightening money laundering controls.

The **Judicial Reform Project**, which started late in FY 1991, seeks to help the GCOB modernize the Bahamian judicial system. It includes assistance to the Attorney General's office and to the courts. Activities include training for members of the judiciary, prosecutors, staff, police and other officers of the court, a court reporter training program, and computer equipment to make case handling more efficient.

The **Drug Awareness and Demand Reduction** project will support GCOB activities to keep the public aware of the dangers of drug abuse and highlight the damage to Bahamian society that drug trafficking causes. The focus of this project will continue to be drug education and related programs for Bahamian children and high-risk young people. The increase in training for FY 1995 will help existing organizations such as school- and community-based drug prevention programs, private business, religious organizations, law enforcement agencies, academies, parent groups, civic organizations, and the media, to form a community action partnership for drug abuse prevention. This coalition-building model provides training experiences designed to encourage community building, strengthen comprehensive and long-range planning skills, improve community prevention strategies, support team building; and assist training for drug treatment professionals.

**Program Development and Support** funds will provide for salaries, benefits and allowances of permanently assigned U.S. and foreign national personnel, short-term TDY personnel, and other general administrative and operating expenses for program planning, design, implementation, monitoring and evaluation.

**EFFECTIVENESS MEASUREMENT:**

- Increase the effectiveness of the combined counternarcotics operations of the U.S., The Bahamas, and Turks and Caicos Islands (OPBAT);
- Improve the capabilities of the Bahamian law enforcement agencies and increase the efficiency and effectiveness of criminal justice institutions;
- Enhance money laundering controls; and
- Reduce drug abuse and increase intolerance of drug trafficking.

**THE BAHAMAS  
INL BUDGET  
(\$000)**

	FY 1994	FY 1995	FY 1996
	-----	-----	-----
<b>Narcotics Law Enforcement</b>			
Commodities:	80	80	75
Vehicles, technical equipment, spare parts			
Training	25	25	25
Other Costs:	200	125	115
Repair and maintenance, fuel, boat support, operating costs			
Subtotal	----- 305	----- 230	----- 215
<b>Judicial Reform</b>	150	175	175
<b>Drug Awareness/Demand Reduction</b>	50	100	100
<b>Program Development and Support</b>			
U.S. Personnel:			
Direct-hire (1)	110	110	115
Contract (2)	40	40	50
Other Costs:			
Foreign Affairs Administrative Support	5	5	5
Program Support	40	40	40
Subtotal	----- 195	----- 195	----- 210
<b>TOTAL</b>	<b>700</b>	<b>700</b>	<b>700</b>

## BOLIVIA

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

PROGRAM SUMMARY  
(Dollars in Millions)

ACTUAL FY 1994	ESTIMATED FY 1995	REQUEST FY 1996
44.067	25.829	60.000

## OBJECTIVES:

- Promote strong, cohesive democratic institutions of government capable of stopping narcotics production and trafficking in Bolivia;
- Establish and encourage sustained economic growth and reduce the effects of the drug trade on the economy of Bolivia; and
- Strengthen and improve the efficiency of the Bolivian criminal justice system.

## JUSTIFICATION:

Bolivia is the world's second largest producer of illicit coca and the second largest producer of refined cocaine. Coca cultivation rose by four percent in 1993 from the previous year after three years of steady decline. An estimated 47,200 hectares were cultivated in 1993, as compared with 45,500 hectares in 1992. Most cultivation is in the Chapare Region.

The Bolivia program is based on the premise that to achieve long term narcotics control, the economy must be developed and sustained, the illegal drug trade must be eliminated, and democracy must be nurtured to its full capacity. These factors are interrelated: neither a stronger democracy nor a stable, growing economy is possible under the pervasive threats of drug related crime and violence, corruption, domestic drug abuse and environmental damage caused by illegal narcotics production and trafficking. Likewise, long term drug control can be sustained only in a stable political and economic environment.

The proposed budget will support improvements in ground, air, and riverine law enforcement operations; support chemical control efforts; enhance investigations and prosecutions of major drug traffickers; improve intelligence gathering and dissemination; control the transport and marketing of legal coca; and reduce coca cultivation and processing. The program is designed to strengthen the Bolivian judicial system and develop economic alternatives to the coca industry. It expands economic possibilities in the Cochabamba-Chapare region and elsewhere in Bolivia and helps the GOB to meet its international financial obligations and to stabilize its economy as a necessary condition for sustained growth.

The **Narcotics Law Enforcement** projects strengthens the civilian police units which conduct counterdrug law enforcement operations and the military units which support them. Most funding within this project targets agencies of the Ministry of Government and special units under the Ministry of Defense which support efforts of the police. The primary counternarcotics law enforcement entity is the Special Force for the Fight Against Narcotics Trafficking (FELCN), with its uniformed interdiction force, the Police Rural Mobile Patrol Units (UMOPAR), and the investigative branch, the urban narcotics police. Special prosecutors of controlled substances are assigned to the units. In coca control, DIRECO performs coca eradication and DINACO monitors coca considered legal under Bolivian law. The Bolivian military provides transport to the police by air, land, and river. Three Bolivian Air Force units, including the Red Devils Task Force helicopter unit, provide air transport for joint UMOPAR/DEA interdiction operations. The Bolivian Navy has four task groups, known as the Blue Devils Task Force, which monitor riverine traffic for drugs and chemicals in coordination with UMOPAR. The Army Green Devils Task Force provides ground mobility and logistical support to the police.

**FY 1996 Program.** This budget, as last year, consolidates international counternarcotics law enforcement, economic and military funds into a single account. The counternarcotics law enforcement program for FY 1996 is designed to expand GOB responsibility for directing and financing counternarcotics efforts. The program will sustain UMOPAR and assist counternarcotics police units operating on the frontiers and in strategic cities. A primary objective of law enforcement operations is to disrupt the transport and sale of illegal coca leaf for a sustained period, resulting in devalued and unstable coca leaf prices. This then encourages farmers to move from coca cultivation to other income opportunities afforded by the sustainable development project.

The successful institution-building efforts of the waterways law enforcement program will continue. The Bolivian Navy now has four task groups developed, equipped, and trained with USG counternarcotics funds, located in Trinidad, Puerto Villarroel, Riberalta, and Guayaramerin. The waterways program has increased the Navy's operational tempo while developing a Bolivian-sustainable training academy.

In coca control, program funds will be used to help DIRECO carry out the ongoing eradication program conducted primarily by seeking out coca growers to enroll in the program for voluntary, GOB-compensated eradication of coca. We will assist DINACO in continuing its road checkpoints throughout the Chapare, as well as joint night patrols with UMOPAR to disrupt the transport of illicit coca. DINACO will continue to work towards a system to identify and track shipments of coca which are legal under Bolivian law.

The **Sustainable Development Project** seeks to promote counternarcotics-related development opportunities in the Chapare coca-growing area, in Cochabamba, and elsewhere in Bolivia. The project goal is to support a shift from the dependence on coca cultivation by providing

incentives for the development of income-earning alternatives for coca farmers. It includes subprojects to expand electrical service to parts of the Chapare region, promote Bolivian exports, and support macroeconomic balance-of-payment obligations through cash transfer to the GOB. Local currency generated through cash transfer supports GOB participation in sustainable development.

For FY 1996, the sustainable development program will continue to promote broad-based economic growth led by the private sector by creating an attractive climate for foreign trade and investment. Alternative development projects will continue, such as the development of alternative crops and improved farm practices, and the construction or upgrading of farm-to-market roads. A subproject of electrification for alternative development will develop the Bolivian capability to plan, construct and sustain electrification projects for rural areas.

The **Drug Awareness and Demand Reduction Project** educates Bolivians about the dangers of coca cultivation, cocaine production, and drug trafficking and generates public support for strong, effective counternarcotics programs. In 1996, education efforts will continue to support educational fora for Bolivian prevention and treatment professionals.

The **Judicial Reform Project** is designed to promote an efficient and fair judicial system in Bolivia as a fundamental element of a strong democracy. For 1996, one subproject will continue the process of strengthening investigative, prosecutorial, and judicial human resources, and improving case tracking and administrative management. A second subproject will continue to enhance the effectiveness of Bolivian drug prosecutors by providing training and equipment to them.

The **Program Development and Support Project** provides administrative support and salaries for 19 direct-hire and contract personnel in the Embassy's Narcotics Affairs Section.

#### **EFFECTIVENESS MEASUREMENT:**

- Eradicate coca in Bolivia beyond that authorized for legal use while helping create viable, licit income-earning alternatives for coca producers;
- Arrest and prosecute major drug traffickers;
- Interdict and seize cocaine and other illicit coca derivatives, precursor materials, and assets of the coca trade;
- Increase the Bolivian population's awareness of the dangers of drug abuse and trafficking to Bolivia's economy and society.

**BOLIVIA**  
**INL BUDGET**  
**(\$000)**

	1/	FY 1994	FY 1995	FY 1996
<b><i>Narcotics Law Enforcement</i></b>				
Ground Operations Support ( FELCN, UOMPAR, Urban Narc Police, DIRECO and DINACO)		7,506	6,279	12,000
Air Operations Support ( Red Devils Task Force and Other Police Air Support Units)		6,011	5,350	8,000
Riverine Operations Support (Blue Devils Task Force)		1,800	1,000	2,500
Field Support ( Commodities,training,vehicle support facility field project offices and support staff)		1,800	1,000	1,800
Subtotal		17,117	13,629	24,300
<b><i>Sustainable Development</i></b>				
Alternative Development		25,000	5,000	15,000
Macroeconomic Initiatives		0	5,000	15,000
Subtotal		25,000	10,000	30,000
<b><i>Drug Awareness and Demand Reduction</i></b>		300	500	0
Training,surveys,commodities,workshops				
Judicial Reform		0	0	4,000
<b><i>Program Development and Support</i></b>				
U.S. Personnel:				
Direct-hire (4)		575	600	600
Contract /Pit (4)		90	90	90
Non-U.S. Personnel:				
Direct-hire (3)		260	225	225
Contract (8)		125	135	135
Other Costs:				
Foreign Affairs Administrative Support		225	250	250
Program Support		375	400	400
Subtotal		1,650	1,700	1,700
<b>TOTAL</b>	<b>1/</b>	<b>44,067</b>	<b>25,829</b>	<b>60,000</b>

1/ Totals include INL, Military and Economic counternarcotics funding.

## BOLIVIA

**INTERNATIONAL NARCOTICS CONTROL  
MILITARY COUNTERNARCOTICS ASSISTANCE  
FY 1996 CONGRESSIONAL PRESENTATION**

COUNTERNARCOTICS POLICE AND MILITARY

Radios and equipment	100,000	
Soldiers equipment (UMOPAR)	500,000	
Meals ready-to-eat (UMOPAR)	200,000	
Medical supplies	100,000	
Small construction projects	<u>400,000</u>	
Subtotal		\$ 1,300,000

MILITARY COUNTERNARCOTICS SUPPORT

Fuel	<u>\$2,000,000</u>	
Subtotal		2,000,000

AIR FORCE COUNTERNARCOTICS PROGRAMS

PC-7 aircraft	\$ 1,050,000	
UH-1H helicopter spare parts	1,400,000	
C-47 aircraft logistics	700,000	
Training (CONUS)	650,000	
C-130B aircraft logistics	1,300,000	
Technical assistance	110,000	
Flight publications	15,000	
Personal aviation equipment	125,000	
Search & rescue medical equipment	<u>100,000</u>	
Subtotal		5,450,000

NAVY COUNTERNARCOTICS PROGRAMS

Boat spare parts	\$ 200,000	
Personal equipment	100,000	
Guardian boats	100,000	
Sustain 5 riverine task forces	200,000	
Training (MTT)	<u>150,000</u>	
Subtotal		750,000

ARMY COUNTERNARCOTICS PROGRAMS

Supply and Transport Battalion	\$1,000,000	
Vehicle parts & maintenance		
Subtotal		<u>1,000,000</u>

TOTAL		\$10,500,000
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## BRAZIL

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

PROGRAM SUMMARY  
(Dollars in Millions)

ACTUAL FY 1994	ESTIMATED FY 1995	REQUEST FY 1996
.400	.600	1.000

## OBJECTIVES:

- Improve the institutional capabilities of the Federal Police to disrupt the activities of major trafficking organizations, interdict illegal drugs and control precursor chemicals;
- Improve the effectiveness of Brazilian organizations working to reduce drug abuse and decrease the domestic demand for drugs; and
- Develop political support for narcotics control in Brazil by political leaders, decision makers, and key public figures.

## JUSTIFICATION:

Brazil is a significant transit country for cocaine en route from Bolivia, Peru, and Colombia to the U.S. and Europe. It manufactures and imports large amounts of the chemicals used in cocaine production, and these chemicals are being diverted illegally to the Andean countries. Colombian and Bolivian traffickers appear to be making more use of Brazilian transit routes and are establishing cocaine refineries there. Coca is cultivated in remote, inaccessible areas of the Amazon Basin. Most of the large amount of marijuana grown in Brazil is consumed locally, and no export to the U.S. has been noted. Domestic drug abuse is increasing.

The Brazilian narcotics control program seeks to disrupt major trafficking organizations, stem illegal chemical diversion, and decrease domestic demand for drugs. Most counternarcotics funds provide equipment and training for the Brazilian Federal Police (DPF), which has primary responsibility for drug law enforcement. The GOB will assume responsibility for funding the DPF operational costs, such as fuel, supplies, and per diem. The GOB is being encouraged to take a more aggressive stance on drug trafficking and consumption. This year the U.S. and other missions in Brasilia that are members of an informal consultative group of donors called the Dublin Group, worked more closely to coordinate assistance and diplomatic initiatives.

Assistance to the Brazilian Customs Service helps to upgrade interdiction of drugs passing through exit/entry points. The detector dog program will be supported in FY 1995 with prior year funds.

The **Narcotics Law Enforcement Project** will assist the DPF in implementing the following programs: riverine interdiction, kingpin investigations, chemical control, narcotics detector dogs, and the Amazon survey. FY 1996 funds will be used primarily to provide law enforcement equipment, which includes not only law enforcement field equipment, but also to expand an initiative begun in FY 1994 to establish a computerized drug intelligence network.

The **Drug Awareness and Demand Reduction Project** seeks to reach key segments of the population regarding the increasing drug threat. FY 1996 funds will be used to support local demand reduction projects throughout the country. This assistance is channeled through CONFEN, the national drug council.

**Program Development and Support** funds will provide for salaries, benefits, and allowances of permanently assigned U.S. personnel and other general administrative and operating expenses for program planning, design, implementation, monitoring and evaluation and public diplomacy.

#### **EFFECTIVENESS MEASUREMENT:**

- Successful Federal Police investigations of major cartel operations, interdiction of cocaine shipments and arrest and prosecution of drug traffickers;
- Review and funding for project proposals submitted by local demand reduction organizations through the National Drug Council (CONFEN); and
- Greater GOB political will by continuing to encourage bilateral and multilateral counternarcotics discussions.

**BRAZIL**  
**INL BUDGET**  
**(\$000)**

	FY 1994	FY 1995	FY 1995
	-----	-----	-----
<b>Narcotics Law Enforcement</b>			
Commodities:	150	100	330
Vehicles, boats, radios, support equipment			
Training	0	120	200
Other Costs:			
Operational support, travel, per diem, dog kennel facilities	0	50	100
Subtotal	----- 150	----- 270	----- 630
<b>Drug Awareness/Demand Reduction</b>	0	50	50
<b>Program Development and Support</b>			
U.S. Personnel:			
Direct-hire (1)	120	130	145
Contract (1)	10	20	30
Non-U.S. Personnel:			
Contract (1)	20	25	30
Other Costs:			
Foreign Affairs Administrative Support	65	70	75
Program support	35	35	40
Subtotal	----- 250	----- 280	----- 320
<b>TOTAL</b>	<b>400</b>	<b>600</b>	<b>1,000</b>

## COLOMBIA

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

PROGRAM SUMMARY  
(Dollars in Millions)

ACTUAL FY 1994	ESTIMATED FY 1995	REQUEST FY 1996
28.700	29.000	35.000

## OBJECTIVE(S):

- Strengthen host nation capabilities to disrupt and ultimately dismantle major drug trafficking organizations;
- Destroy the cocaine processing industry and stop the diversion of licit chemicals into illicit channels; and
- Eliminate the cultivation of opium poppy, coca leaf and marijuana.

## JUSTIFICATION:

The United States provides assistance to Colombia to counter the drug trafficking threat to its security, political system and economy; and to disrupt the cocaine trafficking infrastructure through investigation, evidence-gathering, arrest, prosecution, asset seizure, and other law enforcement actions. This budget continues implementation of the President's decision to consolidate international counternarcotics law enforcement and military funds into a single account.

In FY 1996, counternarcotics assistance will continue for the Directorate of Anti-Narcotics (DIRAN) and other Colombian National Police (CNP) elements, as well as military units supporting DIRAN efforts, to sustain and improve investigative capabilities, take action against trafficking organizations, and destroy illicit crops. As a comprehensive counternarcotics law enforcement program, emphasis will be placed on enhancing the planning and tactical capabilities of the CNP and other security units. Project activities will include judicial protection, enhancement of military counternarcotics actions, assistance to the Department of Administrative Security, infrastructure support, and public awareness and education.

The primary goal in Colombia is to eliminate the drug cartels. Advances toward that goal have been made with the virtual elimination of the Medellin cartel. Continued GOC raids on trafficker operations have given authorities valuable information from which to further attack Cali cartel activities which have supplanted those of the Medellin cartel since 1993. The DIRAN has

seized over 225 metric tons of cocaine products since 1990 and arrested or killed many drug traffickers. The DIRAN has eradicated approximately 23,000 hectares of opium poppy since February 1992. In FY 1996, the DIRAN will continue a broad scale coca eradication program.

Support to the CNP and military counternarcotics units are subproject activities of the **Narcotics Law Enforcement Project**. The CNP will remain the principal GOC recipient of our counternarcotics assistance to Colombia. By FY 1996, the DIRAN, an independent brigade-sized narcotics intelligence gathering and interdiction force, will be increased to over 3,000 personnel. This will include a small DAN headquarters staff, 18 interdiction companies, 20 intelligence groups, and an aviation service of 68 aircraft.

The GOC plans to increase aviation support for the CNP aviation branch in FY 1996. The expected increase in flight hours, maintenance, and other operational and support costs will meet the continued demands on aviation resources to sustain the successful opium poppy eradication program and the coca eradication program initiated in FY 1994. Aviation support will also assist cocaine interdiction operations.

In FY 1996, the GOC will continue a strategy to establish four DIRAN geographical zones, each with three to five companies and dedicated aircraft. Each regional zone commander will have the authority to deploy units and direct airlift and support equipment without obtaining approvals from headquarters in Bogota. Improving existing forward operating bases and adding new locations will increase security and operational effectiveness. As a result of the GOC's increased capabilities to collect intelligence data, heliports will be strategically placed throughout the country to enable timely heliborne deployments against narcotics targets. This project will also fund avionics, flight gear, vehicles and maintenance, night vision equipment, field gear, intelligence equipment, and aviation and other training.

Assistance to military units will be directed to those activities supporting the CNP's counternarcotics efforts. The Colombian Air Force will receive helicopter support and training as well as parts and maintenance for its fleet of 25 UH-1H helicopters. Additional support will be given to the Air Force's fixed wing C-130 units and OV-10 and A-37 aircraft that support counternarcotics operations, primarily in isolated and unsecure areas of the country. The Colombian Navy and its Marine branch will continue a counternarcotics campaign on the rivers and the coast. To sustain the important military contribution to the counternarcotics effort, equipment and training will be provided to the Colombian riverine and Coast Guard Harbor Patrol programs. Commodities include patrol boats for the Coast Guard and boats and spares for Marine riverine units. Spare parts, maintenance packages, and training for members of the Coast Guard and Marines will be provided. The Army will receive much-needed communications and global positioning equipment as well as vehicles.

The **Department of Administrative Security (DAS) Project** will help the GOC to attack the cocaine trafficking infrastructure by providing computer and data collection equipment used in drug and money laundering investigations.

The DAS, Colombia's equivalent to the FBI, Secret Service, and INS, monitors movements of aliens, controls personnel movement through ports of entry, and is the GOC host agency for Interpol. It also has investigative authority for drug and money laundering cases. We will provide modest support for the DAS's Interpol office and its asset seizure office.

The **Infrastructure Support Project**, created in 1992, enhances the GOC's public profile on implementation of a vigorous anti-drug campaign. The GOC established a counternarcotics policy board, the National Council of Dangerous Drugs (NCDD), comprising key cabinet ministers such as defense and justice, the directors of the DAS and the CNP, and others. A permanent NCDD research staff issues and recommends, coordinates and monitors counternarcotics policy. NCDD is also the GOC's point of contact for the international donor community. In FY 1994, the NCDD was instrumental in acquiring full GOC approval to use herbicides to aerially eradicate coca cultivations.

The NCDD will receive basic support, including personnel, communications upgrades, information management systems, and help for council and staff members to attend and sponsor international meetings to foster contact with counterparts in donor and trafficking/producing countries. This project will also support other infrastructure development activities in the offices of the Attorney General and the Prosecutor General and surveys on improvements in customs and port security.

The **Judicial Protection Project** will provide training for security personnel, armored vehicles, and communications equipment to enhance security for the judges involved in prosecuting alleged narcotics violators in the five public order courts.

The **Drug Awareness and Demand Reduction Project** will help the Colombian government and private organizations assess drug abuse through periodic surveys and share this information at seminars and other meetings. This project will publicize to government officials, opinion makers and the general public the threat of illegal drugs to Colombian society. It will also communicate the national interest benefits to a populace that confronts and maintains pressure on traffickers and other lawbreakers. Activities include forming public awareness campaigns using all media, collecting and disseminating substance abuse data, publishing and distributing educational literature, and sponsoring key Colombian figures to attend national and international conferences.

**Program Development and Support** funds will provide for salaries, benefits and allowances of permanently assigned U.S. and foreign national personnel, short-term TDY assistance, and other general administrative and operating expenses for program planning, design, implementation, monitoring and evaluation.

#### **EFFECTIVENESS MEASUREMENT:**

- Increased operational effectiveness of the Colombian National Police Anti-Narcotics Directorate;

- Improved eradication of drug crops in Colombia (in priority order: opium poppy, coca and cannabis) using herbicides applied aerially (e.g. for coca and opium poppy);
- Strengthened Colombian judicial system to overcome corruption and intimidation and expedite proceedings/trials against drug traffickers;
- Seized assets of, and disrupted money laundering by, major traffickers; and
- Increased government and public awareness of how drug production, trafficking and abuse damages Colombian society.

**COLOMBIA**  
**INL BUDGET**  
**(\$000)**

	1/	FY 1994	FY 1995	FY 1996
		-----	-----	-----
<b>Narcotics Law Enforcement</b>				
<b>Colombian National Police</b>				
Commodities:		12,200	10,800	10,500
Aircraft parts, tools, avionics, and other equipment; radios, vehicles, field and investigative equipment				
Training: Aviation, tactical, intelligence		1,200	1,600	2,000
Other Costs:		3,850	3,500	4,000
Aircraft operations, contract personnel, forward base construction, U.S. advisors, project support				
Subtotal		<u>17,250</u>	<u>15,900</u>	<u>16,500</u>
<b>Military Counternarcotics Support</b>				
<b>(Army, Air Force, Navy, and Marines)</b>				
Commodities		5,700	7,500	9,900
Training		1,000	1,200	2,000
Other Costs		<u>1,000</u>	<u>1,300</u>	<u>3,100</u>
Subtotal		<u>7,700</u>	<u>10,000</u>	<u>15,000</u>
<b>Department of Administrative Security</b>		300	300	600
Radios, investigative equipment, training, maintenance, POL, travel				
<b>Judicial Protection</b>		0	200	200
<b>Judicial Reform</b>		1,000	0	0
<b>Infrastructure Support</b>		300	300	400
Radios, computers, training, operational support				
<b>Drug Awareness and Demand Reduction</b>		300	300	300
<b>Program Development and Support</b>				
U.S. Personnel:				
Direct-hire (4)		640	690	690
Contract (4)		185	190	190
Non-U.S. Personnel:				
Direct-hire (3)		60	70	70
Contract (27)		235	280	280
Other Costs:				
Foreign Affairs Administrative Support		115	120	125
Program support		615	650	645
Subtotal		<u>1,850</u>	<u>2,000</u>	<u>2,000</u>
<b>TOTAL</b>	1/	<b>28,700</b>	<b>29,000</b>	<b>35,000</b>

1/ Totals include INL, Military and Economic Counternarcotics funding.

## COLOMBIA

INTERNATIONAL NARCOTICS CONTROL  
MILITARY COUNTERNARCOTICS ASSISTANCE  
FY 1996 CONGRESSIONAL PRESENTATIONAIR FORCE COUNTERNARCOTICS PROGRAMS

Aircraft/helicopter maintenance	\$1,200,000	
Spare parts	3,500,000	
Aircraft overhauls	1,600,000	
Helicopter training	400,000	
Fixed wing training	100,000	
Maintenance training	<u>200,000</u>	
Subtotal		\$ 7,000,000

NAVY COUNTERNARCOTICS PROGRAMS

Overhaul and maintenance	\$3,350,000	
Patrol boats	500,000	
Training	500,000	
Riverine construction	<u>1,000,000</u>	
Subtotal		4,000,000

ARMY COUNTERNARCOTICS PROGRAMS

Vehicle maintenance	\$1,000,000	
Communications equipment	600,000	
Training and technical assistance	400,000	
Medical supplies and equipment	<u>1,000,000</u>	
Subtotal		3,000,000

JOINT COMMAND AND GENERAL STAFF

Communications/intel equipment	<u>\$1,000,000</u>	
Subtotal		<u>1,000,000</u>
TOTAL		\$15,000,000

## ECUADOR

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

PROGRAM SUMMARY  
(Dollars in Millions)

ACTUAL FY 1994	ESTIMATED FY 1995	REQUEST FY 1996
.500	.500	.850

## OBJECTIVE(S):

- Develop institutional capabilities to interdict illegal drugs and precursor chemicals, prosecute traffickers, seize drug assets, and reduce money laundering;
- Improve intelligence collection, processing, and dissemination against major trafficking organizations; and
- Promote public awareness and education.

## JUSTIFICATION:

Ecuador is a significant transit country for drugs and essential chemicals and a locus for drug money laundering. Ecuador eradicated most coca cultivation in the 1980's and has no tradition of coca use. Narcotics kingpins appear to be trafficking approximately 30 metric tons of cocaine per year through loosely-monitored Ecuadoran ports and road networks. Drug traffickers also take advantage of weak banking laws to launder and protect their illicit proceeds. The recent ambush and massacre of a national police riverine patrol by a guerrilla group, allegedly involved in drug trafficking, on the Colombian border has stimulated a comprehensive Government of Ecuador (GOE) review of how to address the threat posed by the drug trade to the people, economy, and sovereignty of Ecuador.

The GOE has centralized drug enforcement in the Narcotics Police; established a police intelligence center, a financial investigations unit and chemicals unit; and legislated a drug control role for the military. To build on police successes in dismantling several narcotics trafficking groups tied to Colombian drug kingpins and to improve regional cooperation, the Ecuadoran military has agreed to relocate a radar site to cover a key air corridor in the Oriente favored by drug traffickers transiting Ecuadoran air space. Information on suspected drug trafficker air traffic in the corridor would be provided to Colombian authorities.

The GOE through its National Drug Council (CONSEP) has developed a national drug strategy; passed laws to criminalize and control trafficking in illicit drug plants, drugs, and chemicals; conducted (with USG assistance) a money laundering threat assessment; and developed procedures between the Superintendency of Banks and the police, which enable the police to conduct more effective money laundering investigations. CONSEP, with U.S. assistance, is conducting a study to determine the extent of licit and illicit use of precursor chemicals in Ecuador and how to control such chemical trafficking.

The Customs Police have completed training and consolidated two dog programs into a unified detector dog program in which dogs and guides conduct more effective mobile roadblock operations.

Ecuador signed an asset sharing agreement in 1994 and received \$330,000 for cooperating with Switzerland and the U.S. in the prosecution of Jorge Hugo Reyes-Torres, a major narcotics trafficking kingpin tied to the Colombian Cali Cartel. The GOE is striving to make further progress in the Reyes-Torres case. When the GOE makes such progress, cooperating authorities will likely be willing to share such assets again.

In FY 1996, the U.S. will continue to work closely with the GOE to develop a greater emphasis on **Narcotics Law Enforcement** projects. Support will be given to the Attorney General's office through the national police, customs, military, and the national drug council.

The **National Police Project** will focus on strengthening the Interpol Police law enforcement capability, continue to improve police skills and performance, and support a police counternarcotics training center. The center will provide counternarcotics training for police anti-drug personnel, and fund courses and seminars for military counternarcotics personnel and other public agencies. Police counternarcotics units will also receive field equipment, international training opportunities, and technical guidance from mobile training teams. Customs activities will focus on acquiring additional detector dogs and training for guides, as well as sophisticated search equipment to employ in air and seaports and along border areas.

The GOE, through the Attorney General's Office initiative, will receive anti-corruption training for judges, particularly those located in outlying provinces, and training in prosecution techniques.

The **National Drug Council Project** will emphasize ministerial-level drug coordination efforts, including money laundering efforts; asset seizure and storage; control and monitoring of precursor and essential chemicals; and drafting of related counternarcotics laws and procedures. Funding for a database to track information, training, conferences and seminars, as well as office equipment, will help the council address these many tasks.

The **Drug Awareness and Demand Reduction Project** will be increased to complement USAID, USIS, and UNDCP drug prevention and education programs by offering travel, conference and seminar support, research, and other assistance to ensure that the public remains aware of the dangers of drug abuse.

**Program Development and Support** funds will provide salaries, benefits and allowances of U.S. and foreign national personnel, short-term TDY assistance, and other administrative and operating expenses for program planning, design, implementation, monitoring and evaluation.

#### **EFFECTIVENESS MEASUREMENT:**

- Enhancement of Ecuadoran counternarcotics law enforcement capabilities, develop a precursor chemical control program, enhanced effectiveness of prosecutors, and establishment of procedures to control money laundering;
- Establishment of a police intelligence training program and intelligence center; and
- Establishment of community-based drug abuse prevention programs and increase Ecuadoran public awareness of the dangers of drug abuse.

**ECUADOR**  
**INL BUDGET**  
**(\$000)**

	FY 1994	FY 1995	FY 1996
	-----	-----	-----
<b>Law Enforcement</b>			
Commodities:	25	25	75
Vehicles, radios			
Training	--	25	75
<b>Other Costs:</b>			
Maintenance	25	25	25
Operational support	50	25	100
U.S. contract field advisor	100	110	100
<i>Subtotal</i>	----- 200	----- 210	----- 375
<b>National Drug Council</b>			
Vehicles, computer equipment, training, operational support	--	--	125
<b>Drug Awareness/Demand Reduction</b>			
	70	50	75
<b>Program Development and Support</b>			
<b>U.S. Personnel:</b>			
Direct-hire (1)	135	135	145
Contract (1)	25	25	30
<b>Non-U.S. Personnel:</b>			
Direct-hire (1), Contract (2)	20	25	25
<b>Other Costs:</b>			
Foreign Affairs Administrative Support	20	25	35
Program support	30	30	40
<b>Subtotal</b>	----- 230	----- 240	----- 275
<b>TOTAL</b>	<b>500</b>	<b>500</b>	<b>850</b>

## GUATEMALA

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

PROGRAM SUMMARY  
(Dollars in Millions)

ACTUAL FY 1994	ESTIMATED FY 1995	REQUEST FY 1996
2.000	2.500	2.550

## OBJECTIVE(S):

- Reduce cocaine trafficking from and through Guatemala to the U.S.;
- Reduce opium production and discourage cultivators from renewing opium production;
- Develop an effective civilian narcotics law enforcement agency;
- Improve judicial handling of narcotics cases; and
- Increase public awareness of the dangers of drug production and abuse.

## JUSTIFICATION:

The two major narcotics threats in Guatemala are cocaine transshipments to the U.S. and opium production. Substantial amounts of cocaine transit Guatemala en route to the U.S. At dozens of uncontrolled airfields in Guatemala traffickers refuel their aircraft on their journey north or offload cocaine to U.S.-bound vessels, aircraft, or trucks. The Government of Guatemala (GOG) and the U.S. cooperate on a variety of counternarcotics activities, including law enforcement, crop eradication, and demand reduction.

The GOG does not possess a radar system able to track trafficker aircraft nor the means to intercept them. Nevertheless, with assistance from the U.S. the GOG seized or control-delivered seven metric tons of cocaine in 1993. Combined USG-GOG air and ground operations eradicated most of the opium poppy cultivation in Guatemala during 1992 and 1993. Growers planted new fields in the 1993-1994 growing season.

A joint USG-GOG law enforcement/interdiction effort, called Operation Cadence, began in July 1991. Its goals are to sharply increase interdiction of cocaine transiting Guatemala, dismantle trafficking organizations, and arrest traffickers.

The **Cocaine Interdiction Project** supports Operation Cadence and other law enforcement efforts by Guatemalan authorities. From summer 1993 through summer 1994, Cadence attained a 100 percent interdiction rate against aircraft suspected of smuggling drugs.

Most of the opium poppy in Guatemala is cultivated in small plots hidden in steep, narrow, high-mountain valleys near the Mexican border. Using air assets in tandem with the cocaine interdiction project, the **Aerial and Manual Eradication Project** supports U.S.-owned and operated aircraft which aeri ally eradicate large amounts of opium poppy and smaller amounts of marijuana cultivated in remote areas. In addition, the project assists manual eradication efforts by the GOG. In 1993, 426 hectares of opium poppy and 200 hectares of marijuana were eradicated using three T-65 Thrush spray planes, four helicopters, and one Caravan transport aircraft. Guatemalan Treasury Police officers provide security and search-and-rescue.

The **Narcotics Law Enforcement Project**, initiated in 1991, has sponsored the organization, training, and equipping of new narcotics control units in the Guatemalan Treasury Police. These units carry out missions in the areas of: manual eradication; airmobile interdiction (as part of Operation Cadence); port control; investigations; riverine operations; and roadblocks/land interdiction and inspection. This project also supports development of the Joint Intelligence Coordination Center (JICC), the canine unit with eight dogs at the Guatemala City International Airport, and the chemical control office.

The **Drug Awareness and Demand Reduction Project** uses various media to show that narcotics cultivation, trafficking and drug abuse harm Guatemalan society as well as the health of Guatemalan citizens.

**FY 1996 Program.** The key to a successful counternarcotics policy is the flexibility to take the initiative against the traffickers who respond with considerable resources and ingenuity. The **Narcotics Law Enforcement Project** will help the GOG upgrade existing counternarcotics units and organize, train, and equip other Treasury Police units for interdiction and eradication responsibilities. The GOG will provide continued training and support to units engaged in riverine/coastal patrol, airmobile support and interdiction, roadblocks and land interdiction, and inspection units (including canine-equipped) at ports and airports. The project will also help the GOG improve the headquarters section, expand the activities of both the public relations office and the new narcotics investigation squad, and continue operations of the JICC and chemical control office.

The program in Guatemala has been highly successful in recent years in eradicating opium poppy cultivation. From a peak of 2,000 hectares planted in 1990, cultivation in 1993 was down to negligible levels. The **Aerial and Manual Eradication Project**, which is funded jointly with the Cocaine Interdiction Project, will provide fuel for the U.S. aircraft engaged in eradication (the Bell-212s as well as the T-65 Thrush and Cessna Caravan) and other operational costs such as herbicide, ground support equipment, field rations, and communications and photographic equipment.

The **Cocaine Interdiction Project** will maintain a credible response to trafficking threats, despite some retrenchment due to FY 1994 budget cuts. To support Operation Cadence, four or five U.S. Bell 212 helicopters carry GOG Treasury Police and U.S. law enforcement advisors to suspected trafficking sites; the same aircraft will perform opium eradication missions. The project will fund operational support, such as fuel and other operating costs for the aircraft and crews.

**Drug Awareness and Demand Reduction** activities will focus on various media publications and presentations to inform Guatemalan citizens how drug trafficking and abuse harm their society. These activities also promote better implementation of effective narcotics legislation.

**Program Development and Support** funds will provide salaries, benefits and allowances of U.S. and foreign national personnel, short-term TDY assistance, and other administrative and operating expenses for program planning, design, implementation, monitoring and evaluation.

#### **EFFECTIVENESS MEASUREMENT:**

- Increased institutional capability within the Treasury Police, the GOG's lead counternarcotics law enforcement agency for cocaine interdiction, opium poppy eradication, and prosecution of drug traffickers; and
- Enhanced degree of drug awareness, demand reduction, and counternarcotics expertise developed among prosecutors, public health, media, and educational institutions.

**GUATEMALA**  
**INL BUDGET**  
**(\$000)**

	FY 1994	FY 1995	FY 1996
<b>Narcotics Law Enforcement</b>			
Commodities: Field Gear, Computers, Vehi Vehicles, Communication and Investigative Equipment, etc.	200	350	350
Training	100	125	125
Operational Support	100	125	120
Subtotal	400	600	595
<b>Aerial and Manual Eradication</b>			
Commodities: Radios, cameras, field equipment.	250	250	250
Other Costs:			
Aviation fuel	300	400	400
Herbicides	150	200	200
Operational support	185	300	300
Subtotal	885	1,150	1,150
<b>Cocaine Interdiction</b>			
Operational Support			
Aviation, vehicle, and boat fuel	200	200	200
Other support	50	50	50
Subtotal	250	250	250
<b>Drug Awareness/ Demand Reduction</b>	100	100	150
<b>Program Development and Support</b>			
U.S. Personnel:			
Direct-hire (1)	105	110	115
Contract (1)	10	20	20
PIT (1)	10	15	15
Non-U.S. Personnel			
Direct-hire, contract (2)	25	25	25
Other Costs:			
PASA support	105	110	110
Foreign Affairs Administrative Support	30	35	35
Program support	80	85	85
Subtotal	365	400	405
<b>TOTAL</b>	<b>2,000</b>	<b>2,500</b>	<b>2,550</b>

## JAMAICA

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

PROGRAM SUMMARY  
(Dollars in Millions)

ACTUAL FY 1994	ESTIMATED FY 1995	REQUEST FY 1996
.600	.600	1.000

## OBJECTIVES:

- Conduct a full range of drug law enforcement operations throughout Jamaica;
- Arrest and prosecute major Jamaican traffickers; and
- Inform Jamaicans about the dangers of drugs and the threat narcotics trafficking poses to their country.

## JUSTIFICATION:

Through assistance to the Jamaican Constabulary Force (JCF), the Jamaica Defense Force (JDF), and other Government of Jamaica (GOJ) agencies, the USG assists the GOJ to carry out effective drug law enforcement operations. We also support the GOJ drug awareness program. USAID is beginning the fourth year of a five-year Administration of Justice program aimed at improving the justice system, and the Department of Justice provides training and curriculum development help to increase professional capabilities in the JCF through the International Criminal Investigative Training Assistance Program.

Jamaica, favorably situated for cocaine trafficking from South America to the U.S., is also a traditional source of marijuana for U.S. markets. Jamaica's airstrips, ports and offshore waters offer many opportunities for traffickers. Intelligence indicates that cocaine traffickers are using Jamaica's well-established marijuana networks to ship cocaine. Money laundering does not appear to be a major problem, although removal of foreign exchange controls in September 1991 could tempt money launderers. Production and transit of essential chemicals in Jamaica are negligible.

An enhanced extradition treaty between the U.S. and Jamaica, which entered into force in July 1991, has greatly increased the number of Jamaicans extradited to the U.S., to the point where Jamaica is now one of our most active extradition partners in the region. By late 1993, seven extradition cases were active and twenty more pending, including several for drug traffickers. We are seeking Jamaican ratification and implementation of a mutual legal assistance

treaty ratified by the U.S. in 1992. In 1994, Jamaica passed asset seizure and forfeiture legislation. We are now encouraging GOJ passage of money laundering laws and ratification of the 1988 UN Convention.

The JCF Narcotics Unit, the major Jamaican counterdrug law enforcement group, cooperates with DEA and other law enforcement agencies. The U.S. has provided extensive training and equipment to the JCF Narcotics Unit, the Contraband Enforcement Team, and the Port Security Corps, including an innovative program of integrity training for customs personnel. Jamaica's Joint Information Coordination Center (JICC), established with USG funding, is the keystone of the GOJ's anti-narcotics data collection and analysis effort. In 1993, JICC information was responsible for seizures of 1,553 kilograms of marijuana in Jamaica, and 4,950 kilograms of hash oil and 405 kilograms of cocaine in the U.S. Also as a result of JICC-Kingston data, 120 persons were arrested on drug charges, and 3 more on murder charges. In 1993, total drug seizures by the GOJ included 160 kilograms of cocaine, 69 metric tons of marijuana, and 177 kilograms of hash oil. It arrested 73 suspected drug traffickers, of whom 61 percent were Class I or II violators by DEA criteria.

**FY 1996 Program.** The **Narcotics Law Enforcement Project** has two aspects: support GOJ efforts to adopt and implement narcotics control legislation and to ratify and implement the 1988 UN convention and our bilateral Mutual Legal Assistance Treaty; and provide assistance to Jamaican drug law enforcement activities. Training for law enforcement and judicial personnel is a major aspect of the project. Material assistance to GOJ law enforcement activities will consist mainly of spare parts, maintenance, operational support, and some replacements for equipment previously provided. We will support expansion of JICC operations, including provision of upgraded equipment and advanced training. Continuance in FY 1996 of a substantial funding level will permit the GOJ to undertake the intensity of drug law enforcement activities necessary to permit sustainable development in this struggling economy.

The Jamaican public is poorly informed about drug abuse and its consequences, about what their government is doing about drugs and why, and about the international dimensions of the narcotics problem. We will work with the GOJ to increase awareness through the **Drug Awareness and Demand Reduction Project**. USG-funded survey results will be used to concentrate resources on the groups most vulnerable to drug abuse. The GOJ, the National Council on Drug Abuse, the Jamaica Information Service, and community action organizations will conduct activities to increase public awareness of the overall drug problem in Jamaica and its effects on the country. They will also build political support for a more assertive GOJ counternarcotics policy.

**Program Development and Support** funds will provide for salaries, benefits, and allowances of permanently assigned U.S. and foreign national personnel, short-term TDY assistance, and other general administrative and operating expenses for program planning, design, implementation, monitoring and evaluation.

**EFFECTIVENESS MEASUREMENT:**

- Increased capability of Jamaican drug law enforcement and judicial personnel and expanded bases of operation to additional sites around the country;
- Increased number of major Jamaican traffickers arrested and brought to justice; and
- Enhanced degree of awareness in Jamaica about the dangers of drug use and the threat narcotics trafficking poses to the country.

**JAMAICA**  
**INL BUDGET**  
**(\$000)**

	FY 1994	FY 1995	FY 1996
	-----	-----	-----
<b>Narcotics Law Enforcement</b>			
Commodities:	175	175	350
Vehicles, communication and investigative equipment, computers, eradication gear and supplies etc.			
Other Costs:	150	150	325
Fuel, training, operational support			
Subtotal	----- 325	----- 325	----- 675
<b>Drug Awareness/Demand Reduction</b>	50	50	100
<b>Program Development and Support</b>			
U.S. Personnel:			
Direct-hire (1)	140	140	140
Contract (1)	25	25	25
Non-U.S. Personnel			
Contract (1)	10	10	10
Other Costs:			
Program support	50	50	50
Subtotal	----- 225	----- 225	----- 225
<b>TOTAL</b>	<b>600</b>	<b>600</b>	<b>1,000</b>

## PERU

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

PROGRAM SUMMARY  
(Dollars in Millions)

ACTUAL FY 1994	ESTIMATED FY 1995	REQUEST FY 1996
17.800	16.000	42.000

## OBJECTIVES:

- Build host nation capabilities in order to foster institutionalization of Peruvian policy-making and coordination and to Peruvianize all aspects of counternarcotics law enforcement;
- Reduce and ultimately eliminate the cultivation of coca and interdict trafficking of cocaine and cocaine base from Peru;
- Support Peruvian economic reforms that eliminate the illicit coca cultivation economy.

## JUSTIFICATION:

Nearly two-thirds of the world's cocaine supply originates from coca leaf grown in Peru. The Government of Peru (GOP) has demonstrated the political will to act against cocaine trafficking, but its ability to make an impact on the narcotics trade is limited by institutional weaknesses, corruption and a lack of resources. Sustainable long-term reduction in the amount of coca raw material for drug production is only possible by integrating enforcement measures that disrupt the cocaine export industry with economic development activities leading to coca eradication by or with the consent of producers. Inefficiencies and defects in the judicial process also hamper the Peruvian justice system, and make prosecution of narcotics traffickers difficult. The USG must help develop GOP institutional capabilities to implement a long-term comprehensive narcotics strategy.

The goal of the U.S. counternarcotics strategy in Peru is to reduce, and ultimately to eliminate, production of refined coca products for export to the U.S. or elsewhere, or for domestic abuse. This goal will be attained by helping the GOP develop an institutional capability to carry out an integrated counternarcotics program including law enforcement, sustainable alternative development, coca eradication, and public awareness/demand reduction.

The counternarcotics program provides commodities, services, and advice to Peruvian government agencies engaged in developing or implementing counternarcotics-related programs, including enforcement

programs to disrupt coca cultivation, wholesale purchase, industrial-scale processing, and export of refined coca products; judicial reform programs to improve Peruvian judicial process and training; and economic assistance programs aimed at both economic restructuring and sustainable development in coca-related areas. All specific projects are aimed at institutionalizing all aspects of the Peruvian counternarcotics effort.

Specific programs include: training and equipping counternarcotics law enforcement air and ground units; developing local municipalities; strengthening the judicial system; supporting microenterprises and local economies, as well as infrastructure and agricultural activities in coca-growing areas; supporting broad-based economic growth to establish a stable market economy; establishing mobile air operations at forward locations for law enforcement operations against major Peruvian traffickers; controlling precursor chemicals at ports of entry and in the interior; developing actionable law enforcement intelligence; supporting Peruvian air force, navy and police efforts to intercept trafficking aircraft and control municipal airfields; and supporting government demand reduction efforts nationally and locally.

The FY 1996 budget will implement the President's decision to consolidate international counternarcotics law enforcement, economic and military funds into a single account.

**The Coca Eradication and Sustainable Development Projects:** Coca eradication is currently limited to the eradication of coca seedbeds through the use of Peruvian laborers (CORAH). Mature coca eradication was terminated in 1990. The 1996 program envisions initiating a mature coca eradication program in coordination with coca-growing communities receiving projectized development assistance and related broader based economic growth activities. Small-scale community projects which were implemented by the USG in coca-growing areas between 1990 and 1993 had a discernible impact on participating communities, providing alternatives to illicit coca cultivation and resulting in at least two local voluntary coca eradication agreements. Budget reductions ended these test projects in 1993. Plans to redesign and implement revised project designs in these areas will be in the early stages of implementation in FY 1995. Small-scale community projects will reinforce USG counternarcotics and democracy development goals by providing agricultural assistance, road-building, community development projects and long-term technical assistance to municipalities. These projects will serve as the basis for international financial institution and other donor assistance affecting the illicit coca economy.

Efforts will be focused also on ensuring that the Government of Peru implements comprehensive macroeconomic policy reforms to establish a stable market-oriented system through the provision of technical advice and coordination of the international donor community. Without a complementary effort to initiate structural reforms at the national level, community-level development efforts will fail for lack of a long-term drive to reform the Peruvian market economy.

Counternarcotics law enforcement efforts are based on a mobile-basing concept which allows police and helicopters to conduct operations against major trafficking facilities from a variety of secure locations, using the Ucayali town of Pucallpa as the rear area logistical and maintenance depot.

Major helicopter maintenance and USG support for the Peruvian police base at Santa Lucia in the Huallaga Valley have been terminated due both to budgetary constraints and a shift in trafficking patterns, although Peruvian counternarcotics police continue some activities from there.

The Anti-Drug Directorate (DIRANDO) of the PNP is responsible for counternarcotics law enforcement, including illegal trafficking in essential chemicals. Headquartered in Lima, it has operating units in several key narcotics trafficking areas, a training base at Mazamari, and investigators in major urban areas. The narcotics field support subproject provides essentially all costs for training, equipping, and operating DIRANDO units and personnel, except for salaries, including units which investigate trafficking, financial crimes, chemicals trafficking, and a major violators unit.

The National Police Aviation Division (DIVPA) provides general aviation support for the entire PNP. It provides pilots, aircrews, and support personnel for 10-12 Department of State-owned UH-1H helicopters which support mobile law enforcement actions in the field. The aviation support funds these counternarcotics operations, providing fuel, maintenance, hangaring and warehousing, aircraft rental when needed, and operational support for DIVPA personnel.

In FY 1996, the Narcotics Field Support and Aviation Support projects cover operating and maintenance costs for police mobile basing operations, as well as construction and incidental support (fuel, parts, training) required by the Peruvian Air Force and Navy to carry out their legally mandated counternarcotics missions, including support for police enforcement activities.

The chemicals needed to make cocaine are not produced in quantity in Peru, and have few legitimate uses in the rural coca growing areas where most coca processing takes place. Most of the needed chemicals are diverted after commercial importation, and moved by road to the UHV. The Ministry of Commerce and Industry is responsible for licensing and regulating the importation, sale, and use of these chemicals, while DIRANDO is responsible for investigating diversion or illegal trafficking of controlled chemicals. The **Chemicals Control Project** will provide support to enhance the ability of the Ministry of Commerce and Industry to carry out its duties, and fund training and operational support for other agencies involved in chemicals control.

The Peruvian Customs Service cooperates with DEA, including sharing intelligence. The **Customs Project** is a narcotics interdiction activity to provide limited logistic support for the Customs Service, e.g., vehicles, investigative and communications equipment, training, and operational support.

The **Judicial Reform Project** will support the implementation of an accusatory criminal legal system, with due regard for the rights of the accused, replacing Peru's inquisitorial system, which has been ineffective in providing a fair and efficient system through which to prosecute key narcotics traffickers. The project will include training for prosecutors under the new legal system, implementation of a delay reduction case tracking system for the courts, fiscal management training for justice sector personnel, technical assistance for professional training academies for prosecutors and judges, as well as resources to upgrade the physical security of personnel and courts that handle narcotics cases.

**Drug Awareness and Demand Reduction Project** activities will be enhanced to concentrate on providing the Peruvian public with information about the harmful personal and societal effects of cocaine production and abuse, conducting surveys on drug abuse to identify groups requiring assistance, and supporting educational fora for Peruvian prevention and treatment professionals.

**Program Development and Support** funds will fund salaries, benefits and allowances of U.S. and foreign national personnel, short-term TDY assistance, and other general administrative and operating expenses for program planning, design, implementation, monitoring and evaluation.

**EFFECTIVENESS MEASUREMENT:**

- Immobilization of Peruvian cocaine production and transportation organizations;
- Reforms in the Peruvian justice system;
- Development of viable alternatives to the illegal coca economy, including implementation of comprehensive macroeconomic policy reforms and projects in and outside of coca-growing areas;
- Decreased flow of essential chemicals into and through Peru;
- Increase in the Peruvian population's awareness of the dangers of drug abuse and drug trafficking to Peru's economy and society.

**PERU**  
**INL BUDGET**  
**(\$000)**

	FY 1994	FY 1995	FY 1996
	-----	-----	-----
<b>Narcotics Law Enforcement</b>			
Narcotics Field Support	2,250	3,000	9,000
Aviation support	3,000	4,000	10,500
Subtotal	5,250	7,000	19,500
<b>Coca Eradication</b>	1,600	2,500	3,000
(commodities, labor costs, operational support)			
<b>Sustainable Development</b>			
Alternative Development	0	2,000	10,000
Macroeconomic Initiatives	1/ 9,400	2,000	7,000
Subtotal	9,400	4,000	17,000
<b>Chemicals Control</b>	100	300	300
<b>Customs</b>	50	400	400
<b>Judicial Reform</b>	100	200	200
<b>Drug Awareness and Demand Reduction</b>	50	300	300
<b>Program Development and Support</b>			
U.S. Personnel:			
Direct-hire (3)	425	430	430
Contract /Pit (2)	50	60	60
Non-U.S. Personnel:			
Direct-hire (2)	70	75	80
Contract (12)	175	200	200
Other Costs:			
Foreign Affairs Administrative Support	180	185	190
Program Support	350	350	340
Subtotal	1,250	1,300	1,300
<b>TOTAL</b>	1/ 17,800	16,000	42,000

1/ Totals included INL and Economic counternarcotics funding.

## VENEZUELA

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

PROGRAM SUMMARY  
(Dollars in Millions)

ACTUAL FY 1994	ESTIMATED FY 1995	REQUEST FY 1996
.400	.500	.500

## OBJECTIVES:

- Improve Government of Venezuela's institutional capabilities to interdict drug shipments transiting Venezuela, reduce illicit drug production, and conduct effective drug investigations.

## JUSTIFICATION:

An estimated 100 to 200 metric tons of cocaine transit Venezuela annually, primarily concealed in large containers loaded onto commercial and private ocean vessels and aircraft. Narcotics seizures by the Government of Venezuela (GOV) law enforcement agencies declined in 1993. Seizures of cocaine transshipped through Venezuela totaled about 10 metric tons, discovered in shipments of legitimate cargo.

The counternarcotics program in Venezuela will help improve GOV institutional ability to detect and interdict drug and chemical shipments by enhancing enforcement operations at land, air and water ports, and to target outbound containerized shipments.

The **Narcotics Law Enforcement Project** will provide training and commodities to improve GOV drug information-sharing capabilities and facilitate increased interdiction. The National Guard (GN) and Judicial Technical Police (PTJ) will receive such assistance as detection and interdiction training, computers, and radios. It will also support crop control activities. FY 1996 activities will include:

- A narcotics crop control project designed to gather more complete information on the extent of narcotics cultivation in Venezuela and to sustain bilateral eradication efforts;
- The drug analysis facilities project to strengthen the investigative and forensic skills of the PTJ and the GN, which have been assigned greater responsibility for toxicological investigations by the new GOV drug law. This project provides training in forensics and advanced chemical analysis to GN laboratory specialists. Three new laboratory facilities, with upgraded equipment, will be established in outlying regions of Venezuela;
- The national guard detector dog school project will maintain normal operating expenses and complete improvements on the

water supply equipment for this widely-recognized regional training center. With U.S. assistance, the school hosts multiagency conferences for officials with detector dog responsibilities from the Caribbean, Central America, and other Latin American nations; and

- A waterways interdiction project to provide boats, investigative and other equipment, maritime and riverine interdiction training, and operational support to strengthen the Venezuelan Coast Guard and Venezuelan Marines interdiction capability along the Caribbean Coast and extensive river systems. The Maritime interdiction initiative will concentrate on patrolling known eastern Caribbean narcotics trafficking routes; the Riverine initiative will concentrate on monitoring, intercepting, and seizing illicit narcotics and precursor/essential chemical shipments on the Orinoco River System. We will continue developing a cooperative relationship between the Venezuelan Coast Guard, the Marines and GN, and seek to establish mechanisms to share intelligence. Also key to successful GOV waterways interdiction is completion of two Caribbean Basin Radar Network (CBRN) sites and repair of the air defense radar system.

The **Money Laundering Project** will develop the capabilities of the PTJ and GN to investigate and dismantle money laundering operations. Funding will assist the PTJ in the development of a computer database on suspected money launderers and financial transactions. The PTJ, with USG assistance, will also develop an effective multiagency financial crimes task force.

The **Drug Awareness and Demand Reduction Project** will focus on engaging the new Venezuelan administration, which took office in February 1994, on narcotics issues, particularly the need to increase public support for counternarcotics programs. Other initiatives include a comprehensive national drug abuse survey, an epidemiological study, training workshops with local NGOs and sports-based drug prevention training programs with U.S. Major League Baseball.

The **Program Development and Support Project** funds will provide for salaries, benefits and allowances of permanently assigned U.S. personnel in Venezuela, and other general administrative and operating expenses for program planning, design, implementation, monitoring and evaluation.

#### **EFFECTIVENESS MEASUREMENT:**

- Strengthen Venezuela's waterways operational effectiveness;
- Establish a counternarcotics coordination mechanism in the Government of Venezuela;
- Improve controls on precursor chemicals and money laundering legislation;
- Identify illicit drug cultivation, develop an eradication capability, and eradicate coca and opium poppy; and
- Promote drug awareness in Venezuela's public and private sectors.

**VENEZUELA**  
**INL BUDGET**  
**(\$000)**

	FY 1994	FY 1995	FY 1996
	-----	-----	-----
<b>Narcotics Law Enforcement</b>			
Commodities:	50	90	90
Boats, radios, computers investigative and other equipment			
Training	25	50	50
Operational Support	25	50	50
Subtotal	----- 100	----- 190	----- 190
<b>Money Laundering</b>	25	25	25
<b>Drug Awareness/Demand Reduction</b>	25	25	25
<b>Program Development and Support</b>			
U.S. Personnel:			
Direct-hire (1)	120	125	125
Contract (2)	55	50	50
Non-U.S. Personnel			
Contract (2)	21	25	25
Other Costs:			
Foreign Affairs Administrative Support	14	16	20
Program support	40	44	40
Subtotal	----- 250	----- 260	----- 260
<b>TOTAL</b>	<b>400</b>	<b>500</b>	<b>500</b>

## LATIN AMERICA REGIONAL COOPERATION

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

## PROGRAM SUMMARY

(Dollars in Millions)

ACTUAL FY 1994	ESTIMATED FY 1995	REQUEST FY 1996
4.735	4.000	7.000

## OBJECTIVES:

- Adopt and implement strong narcotics control legislation, improve the efficiency and effectiveness of judicial institutions to bring drug offenders to justice, and develop bilateral and multilateral mutual legal assistance cooperation;
- Improve counternarcotics law enforcement in Central America, the Caribbean, and South America by assisting and strengthening narcotics enforcement and interdiction agencies;
- Interdict shipments of drugs and precursor materials, seize assets of drug traffickers, and reduce money laundering;
- Develop government and non-government organizations' institutional and resource bases to control the growth of drug abuse in the region; and
- Eradicate illegal drug cultivation by providing commodities and technical support.

## JUSTIFICATION:

As drug control efforts in several Latin American program countries have become more effective, traffickers have sought new routes in the Caribbean, Central America and southern South America, and they have developed new methods of transportation through major transit points such as Mexico. These areas are of increasing importance for the transshipment of cocaine, and to a lesser extent opium and marijuana production. Governments in most of these countries lack resources, strong infrastructures, and adequately trained personnel to meet the challenges. Many of the countries covered in this account are known heavy laundering centers or are emerging as such.

Latin America regional funds support programs in countries that may not have the infrastructure to support large country programs or where the threat does not warrant large programs but are used increasingly by traffickers and money launderers to finance and sell their illegal products. Regional assistance is used to improve host government capabilities in all aspects of narcotics control, including

infrastructure development of law enforcement and judicial institutions engaged in drug control, and training. To assist in meeting the challenges of attacking the drug problem at the source, equipment and supplies will be provided to help develop programs to detect illicit cultivations for eradication, reduce drug trafficking, destroy narcotics processing and storage facilities, and assist in drug investigations, arrests and prosecution. Additionally, this program will provide public information/awareness materials to educate the public about the dangers of drug consumption and trafficking.

In FY 1996, the program will seek to strengthen these countries' abilities to address more effectively the ever changing conduct of drug producers and traffickers. The contract Regional Telecommunications Adviser will also continue to serve the entire area. Support for Joint Intelligence Coordination Centers (JICC) will continue. Regional Narcotics Affairs Officers in Miami, Barbados, Panama, and Guatemala will help manage multi-country programs in their areas of responsibility.

**Caribbean.** The program will strengthen countries' law enforcement and judicial institutions by providing training and equipment. The program seeks to encourage regional counternarcotics cooperation and continue to support activities to combat narcotics trafficking through the Caribbean islands and waters of the Lesser Antilles, the Guianas, the Dominican Republic, and other countries. The Department of State and U.S. law enforcement agencies actively encourage and support many Caribbean nations that cooperate in joint drug interdiction operations. The program will expand countries' drug investigative capabilities by providing existing Joint Information Coordination Centers (JICCs) with upgraded equipment and advanced training. New JICCs will be established where appropriate. We will provide training to develop local community action partnerships for drug abuse prevention and to improve the effectiveness of drug treatment professionals. The budgets for Jamaica and the Bahamas appear as separate requests.

**Central America.** A full range of activities to assist Belize, Costa Rica, El Salvador, Honduras, and Panama disrupt trafficking and strengthen indigenous law enforcement infrastructures will continue in FY 1996. A small allocation will also support prevention education in Nicaragua. The Guatemala program appears as a separate request.

Support for interdiction operations will be maintained in Central America. In Panama, program activities will assist strengthening police and coast guard capabilities to interdict drug and chemical traffic and reduce money laundering. Eradication programs will continue as needs in the region dictate, particularly building on the 1993 successful coca eradication mission in Panama.

In FY 1993, the Government of Mexico (GOM) assumed responsibility for funding the aviation maintenance contract and other field support activities previously funded by the USG (reaching \$20 million by FY 1992). The GOM decision was very much in keeping with our objective of greater host government counternarcotics independence and self-sufficiency. In response to this fundamental change, traditional

programmatic activities are being phased out. FY 1996 funds will provide training and technical support as requested by, and/or reimbursed by, the GOM during this transition period, as well as to enhance bilateral and multilateral counternarcotics cooperation.

**South America.** Drug trafficking in the Southern Cone countries of South America is increasing alarmingly. Paraguay, Chile, Uruguay, and especially Argentina are used as transit points for cocaine originating in Bolivia. The FY 1996 plan includes continued support to Argentina to strengthen its capacity to disrupt trafficking and investigate money laundering and chemical diversion. In Paraguay and Chile, programs will assist the police to investigate and prosecute traffickers and train those in charge of enforcing money laundering legislation (now pending). In Uruguay, equipment and training will be provided to develop the enforcement capabilities of the new narcotics police force, urge ratification of the Vienna Convention, and legislation of strong money laundering laws.

#### **EFFECTIVENESS MEASUREMENT:**

- Increased arrests and prosecutions of major drug traffickers and money launderers;
- Increased capabilities of regional counternarcotics law enforcement agencies as demonstrated by larger quantities of drugs interdicted;
- Disruption of trafficker networks;
- A decrease in drug abuse and an increase in intolerance of drug trafficking in the region; and
- A decrease in the amount of drugs produced in the region.

**LATIN AMERICA REGIONAL COOPERATION**  
**INL BUDGET**  
**(\$000)**

		FY 1994	FY 1995	FY 1996
		-----	-----	-----
<b>Caribbean</b>	1	1,200	1,200	1,800
Country assistance, e.g. computers and other equipment, fuel, operational support				
<b>Central America</b>	1	2,000	1,500	2,700
Country assistance, e.g. operational support, herbicide, telecommunication and other equipment, program development and support,				
<b>South America</b>				
Non-Andean country assistance, e.g. vehicles, radios and other equipment, operational support				
<b>Regional</b>		335	300	400
Telecom advisor, JICCs, seminars, vehicles, computer equipment				
<b>TOTAL</b>		<b>4,735</b>	<b>4,000</b>	<b>7,000</b>

1 Includes funding for administrative support of Narcotic Affairs Sections in Mexico and Panama.

## LAOS

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

## PROGRAM SUMMARY

(Dollars in Millions)

ACTUAL FY 1994	ESTIMATED FY 1995	REQUEST FY 1996
2.000	2.200	2.000

## OBJECTIVES:

- Reduce opium produced to make heroin for international markets;
- Disrupt production, distribution, and trafficking of heroin; and
- Combat opium and heroin abuse in Laos.

## JUSTIFICATION:

While Laos remains a major opium producer, estimated potential opium production has dropped more than 50 percent since U.S. and United Nations alternative development/opium crop reduction programs began in 1989. The Government of Laos (GOL) stresses its commitment to suppressing opium production, reflected in four consecutive years of declining estimated opium production, but economic underdevelopment and the limited rural infrastructure pose serious obstacles to continued progress. The Lao government recently unveiled a comprehensive drug control plan through the year 2000.

The U.S. financed Houaphan Opium Crop Control Project includes infrastructure development, agricultural and health training, and extension services. Road-building to open remote areas to markets is continuing, as is construction of three small dams to irrigate 460 hectares of new rice paddy land, making the two districts nearly self-sufficient. The project also offers modern agricultural techniques to grow and market such alternative crops as soybeans, coffee and livestock, and will help start other income-producing activities such as weaving. Health centers are being expanded to provide better services and treat opium addicts.

The recently created police counternarcotics unit is now housed in its own quarters and equipment is being supplied. It is expected that the initial core unit will be trained and functioning by the end of the year. This initial unit is envisioned as the cadre which will enable expansion of the unit into other areas of the country. However, Laos' mountainous borders with Burma,

Thailand, Vietnam, Cambodia, and China are ideal for smuggling heroin and other contraband, while police and customs officers are poorly paid, trained and equipped. The **Narcotics Law Enforcement Project** will increase Lao capability to fulfill its counternarcotics responsibilities through provision of training, equipment, and supplies. The project will also assist the Lao Customs anti-smuggling unit, established in 1991, to improve its counternarcotics capability.

The FY 1996 **Alternative Crop Development Project** will focus on dam construction, while sustaining agricultural extension, health and community development programs. Completion of the dams are essential to increase paddy lands, which provide an alternative food and income source to opium farmers. FY 1996 funding is necessary to complete the original project after discovery of unexploded ordnance at all three dam sites.

The **Law Enforcement Project** will continue in FY 1996 with procurement of needed equipment and training.

**Program Development and Support** funds will provide salaries, benefits and allowances for U.S. and foreign national personnel, short-term TDY assistance, and other general administrative and operating expenses for program planning, design, implementation, monitoring and evaluation. A direct-hire NAS position was established in FY 1993.

#### **EFFECTIVENESS MEASUREMENT:**

- Completion of dam construction for the Houaphan Project; and
- Activation of the police counternarcotics unit, and provision of equipment and training.

**LAOS**  
**INL BUDGET**  
**(\$000)**

	FY 1994	FY 1995	FY 1996
	-----	-----	-----
<b>Alternative Crop Development</b>	1,629	1,710	1,500
Agricultural assistance, alternative economic activities, infrastructure improvements, roads, water sources, dams; demand reduction, public health and education			
<b>Narcotics Law Enforcement</b>	125	200	200
Commodities and training			
<b>Program Development and Support</b>			
U.S. Personnel:			
Direct-hire (1)	150	160	160
Contract (1)	20	40	50
Non-U.S. Personnel			
Contract (1)	10	10	10
Project Support	66	80	80
Subtotal	246	290	300
<b>TOTAL</b>	<b>2,000</b>	<b>2,200</b>	<b>2,000</b>

## PAKISTAN

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

PROGRAM SUMMARY  
(Dollars in Millions)

ACTUAL FY 1994	ESTIMATED FY 1995	REQUEST FY 1996
2.500	2.500	2.500

## OBJECTIVES:

- Upgrade GOP commitment to pass effective anti-narcotics legislation and engage in counternarcotics efforts;
- Eliminate heroin laboratories in Pakistan, expand the poppy cultivation ban, provide alternative development assistance, prosecute or extradite major traffickers; and
- Help build support for action to deal with Pakistan's domestic drug problem.

## JUSTIFICATION:

Pakistan is both a major producer and an important transit country for opiates destined for the international drug market, including approximately one-fifth of the heroin consumed in the United States. Opium cultivation is insufficient to supply domestic demand but neighboring Afghanistan provides Pakistan's heroin labs, operating illegally in the Northwest Frontier Province (NWFP), with enough raw material both to make up this shortfall and to export heroin abroad. The United States seeks to increase high-level Pakistani Government attention to the narcotics problem by pressing for passage of effective anti-narcotics legislation, development of vigorous law enforcement institutions, elimination of corruption and implementation of a coordinated enforcement policy.

The major areas of Pakistani opium cultivation and heroin laboratories are the remote, politically autonomous tribal areas of the NWFP, along the largely unpoliced border with Afghanistan. The Pakistani program has three project elements, which we are seeking to incorporate into a single large project. These project elements support anti-narcotics law enforcement agencies, fund development assistance in connection with the expansion of the ban on cultivation of opium poppy, and support demand reduction activities.

The **Law Enforcement** element aims at strengthening the Pakistani Government's anti-narcotics enforcement institutions, supplementing their resources to permit more vigorous anti-narcotics enforcement efforts. The FY 1996 program will continue to support efforts of the Anti-Narcotics Force through training and operational support, a change from the commodity emphasis in earlier years. This program is also working closely with Pakistani Customs to provide a country-wide Customs Anti-Narcotics strategy.

**Development Assistance** -- mainly road construction and other infrastructure projects -- seeks to open up politically inaccessible tribal areas of the NWFP to facilitate the expansion of the opium poppy ban and the elimination of heroin labs. These roads fulfill several functions: they permit authorities to intervene in force when necessary; they force tribesmen to assume some responsibility for security by raising militia forces to protect the road; and they make alternative crops economically viable by opening growing areas to transportation. The FY 1996 development assistance project is aimed primarily at expansion of government control in the Khyber Agency, where most of Pakistan's heroin labs are located.

**Demand Reduction** aims at increasing public awareness of Pakistan's domestic drug problem and at building support for action to deal with it. The FY 1996 funding request anticipates increased drug demand efforts (both governmental and private sector) as a result of earlier drug awareness campaigns, and that these institutions will benefit from a continued training and awareness events.

Additional support of counternarcotics efforts will be provided through the U.S. contributions to the UNDCP and to the Colombo Plan which will continue to sponsor regional drug treatment seminars and will organize coalitions of drug prevention NGO's in SAARC countries.

**Program Development and Support** funds will provide for salaries benefits and allowances of U.S. and foreign national personnel, short-term TDY assistance, and other general administrative and operating expenses for program planning, design, implementation, monitoring, and evaluation.

#### **EFFECTIVENESS MEASUREMENT:**

- Extradition of major traffickers; interdiction, arrest and prosecution of major traffickers in Pakistani courts; destruction of heroin manufacturing laboratories; and arrest and prosecution of their operators;
- Expanded enforcement of the opium poppy cultivation ban in the Northwest Frontier Province (NWFP); and
- Improved public awareness of the personal and societal costs of the serious drug problems in Pakistan.

**PAKISTAN**  
**INL BUDGET**  
**(\$000)**

	<u>FY 1994</u>	<u>FY 1995</u>	<u>FY 1996</u>
<b>Crop Control</b>	1,500	1,350	1,370
Roads; irrigation, drinking water, and electrification projects; farm implements, seeds, fertilizer and operational costs			
<b>Narcotics Law Enforcement</b>	200	250	200
Vehicles, radios and other equipment, training, operational support			
<b>Drug Awareness/Demand Reduction</b>	100	200	200
Seminars, workshops, training, materials and supplies, travel and per diem of instructors and advisors, other costs			
<b>Program Development and Support</b>			
<b>U.S. Personnel:</b>			
Direct-hire (2)	305	310	315
Contract (1)	25	25	25
<b>Non-U.S. Personnel</b>			
Direct-hire (2)	60	60	65
Contract (8)	45	50	50
<b>Other Costs:</b>			
Foreign Affairs Administrative Support	90	100	110
Program support	175	155	165
	-----	-----	-----
Subtotal	700	700	730
<b>TOTAL</b>	<b>2,500</b>	<b>2,500</b>	<b>2,500</b>

## THAILAND

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

PROGRAM SUMMARY  
(Dollars in Millions)

ACTUAL FY 1994	ESTIMATED FY 1995	REQUEST FY 1996
3.000	1.250	1.500

## OBJECTIVES:

- Enhance Thai commitment to counternarcotics efforts;
- Support efforts to target major kingpins, arrest traffickers and provide for improvements to Thai enforcement institutions;
- Reduce domestic planting of opium poppy and marijuana; and
- Increase public and leadership awareness of the domestic impact of illegal drug use and trafficking.

## JUSTIFICATION:

Thailand is the single largest source of heroin. Decades of economic development and an annual eradication campaign have greatly reduced Thai opium production.

Narcotics enforcement efforts in Burma, the main source of Golden Triangle heroin, virtually ended after domestic political turmoil led to the military seizing power in 1988. Although Thailand produces less than two percent of the region's opium, heroin refining near the Thai-Burma border and Thailand's superior transportation and communications infrastructures make it the trafficker's route of choice for heroin destined to the United States.

Thai opium production has decreased from perhaps 150 tons 15 years ago to approximately 40 tons today. The U.S.-funded Thai Army opium eradication program, one of the most cost-effective programs in the world, serves to speed the transition to licit crop cultivation by diminishing the likelihood of a successful opium harvest. The Thai crop control effort also serves as a regional model of what can be done when there is political commitment to counternarcotics programs.

Because of Thailand's rapid economic development and increasing per capita gross domestic product (GDP), its own counternarcotics expenditures have increased substantially over the past ten years. This also changes the nature of the U.S. counternarcotics role in Thailand, and permits budget reductions as Thailand funds more of its own counternarcotics responsibilities.

To implement the heroin strategy, U.S. programs in Thailand support Thai narcotics control activities in three areas: **Narcotics Law Enforcement, Crop Control, and Drug Awareness and Demand Reduction.**

The **Narcotics Law Enforcement Project** will provide carefully targeted equipment and assistance to police and other law enforcement units with counternarcotics functions. A principal interagency counternarcotics effort is assisting the Thai police restructure, consolidate and centralize their counternarcotics functions, previously splintered into several agencies. FY 1996 funds will support the northern Counternarcotics Task Force project, to include a Task Force Center in Bangkok. Support will be closely coordinated with DEA, and based on demonstrated effectiveness in counternarcotics law enforcement. Continued training may also be necessary for officials enforcing the asset forfeiture and conspiracy laws, and to encourage passage of money laundering legislation.

The **Crop Control Project** funds will be reduced to a minimal level in FY 1996, reflecting a reduced budget and increased expectations of Thai responsibility to fund this program. Any remaining funds will be focused on development assistance, drug awareness and demand reduction, and treatment to help hill tribes redirect their income sources and deal with increasing heroin use.

The **Drug Awareness and Demand Reduction Program** will help improve drug abuse prevention efforts, and seek to build public opinion and thereby political will against drug production and trafficking.

**Program Development and Support** funds will provide salaries, benefits and allowances for U.S. and foreign national personnel, short-term TDY assistance, and other general administrative and operating expenses for program planning, design, implementation, monitoring and evaluation.

#### **EFFECTIVENESS MEASUREMENT:**

- Increased RTG responsibility for crop control; and
- Increased RTG efforts to improve institutional capabilities of the police and other law enforcement units.

**THAILAND**  
**INL BUDGET**  
**(\$000)**

	FY 1994	FY 1995	FY 1996
<b>Narcotics Law Enforcement</b>			
Commodities:	700	200	300
Investigative and communications equipment, vehicles			
Training	300	75	100
Other Costs:	500	100	150
Customs initiative, training and project support, drug intelligence			
Subtotal	1,500	375	550
<b>Crop Control</b>			
Commodities:	300	75	100
Agricultural supplies, construction materials, training and survey equipment, vehicles, eradication and communications equipment			
Other Costs:	370	100	150
Technical assistance, training, survey support, agricultural extension and marketing assistance and other project costs			
Subtotal	670	175	250
<b>Drug Awareness/Demand Reduction</b>	180	100	100
Prevention, education, treatment			
<b>Program Development and Support</b>			
<b>U.S. Personnel:</b>			
Direct-hire (2)	290	275	275
Contract, PIT (2)	60	50	50
<b>Non-U.S. Personnel</b>			
Direct-hire (5)(4)	110	100	100
Contract (3)	40	40	40
Other Costs:			
Foreign Affairs Administrative Support	50	45	45
Program support	100	90	90
Subtotal	650	600	600
<b>TOTAL</b>	<b>3,000</b>	<b>1,250</b>	<b>1,500</b>

## TURKEY

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

PROGRAM SUMMARY  
(Dollars in Millions)

ACTUAL FY 1994	ESTIMATED FY 1995	REQUEST FY 1996
.400	.400	.400

## OBJECTIVES:

- Upgrade GOT commitment to engage in counternarcotics efforts;
- Interrupt the flow of illicit drugs through Turkey, eliminate heroin laboratories in Turkey, prosecute major traffickers; and
- Help Turkey develop an accurate picture of the dimensions of its domestic drug abuse problem, and strategies (such as a public awareness campaign) to address it.

## JUSTIFICATION:

Turkey -- forming a natural land bridge for Southwest Asian heroin destined for Europe and America -- faces a rising tide of narcotics trafficking and domestic drug abuse. In a telling sign of Turkey's importance in the trafficking trade, almost three-quarters of all drug seizures and arrests in Europe involve Turkish traffickers and narcotics coming through Turkey. Heroin laboratories have begun to appear in areas surrounding Istanbul and in more isolated parts of the country. The Turkish government is keenly aware of its role as a narcotics gateway to Europe, and is working aggressively to diminish both the heroin passing through and that which is processed in country. The Turkish government has made particularly effective use of equipment provided to it in the past.

U.S. assistance focuses on enhancing Turkey's investigation and interdiction efforts with training and equipment. More broadly, the U.S. continues to urge Turkey to ratify the 1988 UN Convention, with accompanying laws on money laundering, asset seizure, and controlled transfer. The Turkish National Police and the Customs are the prime narcotics enforcement agencies. The Police often lack even the most basic equipment needed for drug interdiction. Equipment provided to date only begins to meet demands in the largest cities. Equipment provided thus far has resulted in some of the largest seizures of heroin recorded anywhere. Turkish Customs officials need both training and equipment to strengthen Turkey's porous borders with Syria, Iran and Georgia. The first comprehensive survey of Turkey's domestic drug abuse problem will be funded in this program as well as a public awareness program aimed at schools, newspapers, TV and radio.

In FY 1996 the **Turkish National Police Project** will continue its efforts to provide intelligence gathering equipment to law enforcement personnel throughout Turkey. The Turkish Government's ultimate objective is to establish separate and specially-dedicated narcotics units in each of Turkey's more than 70 provincial capitals. Equipment requests will expand the number of Turkish units with access intelligence intercept equipment.

In FY 1996 the **Turkish Customs** will continue their multi-year program to improve the quality of their force through training by DEA and U.S. Customs. This project will provide necessary equipment and facilities for tightened interdiction activities at customs gates.

#### **EFFECTIVENESS MEASUREMENT:**

- Increase in the quantity of heroin seized by both Turkish National Police and Customs officials as a result of actionable intelligence; and
- Increase in the awareness of drug abuse as a domestic problem in Turkey as well as the societal costs of narcotics trafficking.

**TURKEY**  
**INL BUDGET**  
**(\$000)**

	FY 1994	FY 1995	FY 1996
	-----	-----	-----
<b>Narcotics Law Enforcement</b>			
<b>Turkish National Police</b>	295	295	295
Vehicles, communications and detection equipment, photographic and other enforcement equipment			
<b>Poppy Surveillance</b>	100	100	100
Vehicles			
<b>Project support</b>	5	5	5
<b>TOTAL</b>	<b>400</b>	<b>400</b>	<b>400</b>

## ASIA/AFRICA/EUROPE REGIONAL COOPERATION

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

PROGRAM SUMMARY  
(Dollars in Millions)

ACTUAL FY 1994	ESTIMATED FY 1995	REQUEST FY 1996
.900	1.450	1.500

## OBJECTIVES:

- The Asia/Africa/Europe Regional Program helps cooperating countries in the region address international narcotics control issues and reduce narcotics production and trafficking.

## JUSTIFICATION:

The program is designed to help governments begin establishing counternarcotics law enforcement units, obtain training or equipment, and conduct demand reduction/public awareness campaigns. The intent is not to establish permanent programs, but to provide seed money for countries to help themselves and to complement United Nations International Drug Control Program (UNDCP) and other donor programs.

Illicit drug production in Southeast and Southwest Asia has soared as Burma and Afghanistan have increased opium poppy cultivation. Trafficking patterns continue to expand exponentially through South and East Asia and into the Middle East and Africa as local drug trafficking organizations prosper and develop into worldwide networks. Weak governments with poorly developed and financed law enforcement infrastructures provide fertile environments in which trafficking organizations have flourished. The transnational character of illicit narcotics trafficking requires a regional approach to multilateral and bilateral programs.

**FY 1996 Program.** Further evidence of growing heroin shipments to, and addiction in the United States demands augmented resources applied with maximum flexibility over half the globe. This regional account complements U.S. drug control funding through international organizations such as UNDCP.

**Afghanistan.** Narcotics control is one of our highest national interests with Afghanistan. FY 1996 funds will build upon small cross-border crop control and agricultural outreach projects designed to encourage farmers to substitute food and cash crops for opium poppy. At the same time, law enforcement assistance will be provided when national law enforcement forces are established and devoted to narcotics control. All assistance will continue to be coordinated with the United Nations and other donors.

**Other Countries.** FY 1996 funds will provide equipment to law enforcement organizations in the region, demand reduction materials and other counternarcotics programs in Africa, Asian and European countries.

**U.S. Personnel.** This account supports an European Liaison Office in Brussels, which works with governments of the developed countries in Europe, as well as Japan and Australia, to increase their financial support for counternarcotics efforts and involvement in multilateral drug control programs. In FY 1995, the Department of State will open a new Narcotics Affairs Section (NAS) in Moscow.

**EFFECTIVENESS MEASUREMENT:**

- Increased institutional capacities in key counternarcotics countries in the region; and
- Increased public drug awareness and decreased market demand for drugs in host countries.

**ASIA/AFRICA/EUROPE REGIONAL  
INL BUDGET  
(\$000)**

	FY 1994 -----	FY 1995 -----	FY 1996 -----
<b>Afghanistan</b>	100	200	200
Crop control, agricultural outreach, and law enforcement assistance			
<b>Other Countries</b>			
<b>Commodities</b>	200	400	400
Vehicles, communications equipment, information systems, investigative and other equipment			
<b>Other Costs</b>	200	400	400
Training and operations support, surveys			
<b>U.S. Personnel</b>			
TDY experts, technicians	50	50	50
<b>Narcotics Affairs Liaison Office</b>	350	400	450
<b>TOTAL</b>	<b>900</b>	<b>1,450</b>	<b>1,500</b>

## NIS/EAST EUROPE REGIONAL COOPERATION

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

PROGRAM SUMMARY  
(Dollars in Millions)

ACTUAL FY 1994	ESTIMATED FY 1995	REQUEST FY 1996
-	-	4.000

## OBJECTIVES:

- The Newly Independent (NIS)/East Europe (EE) regional program assists cooperating countries in addressing international narcotics control issues and reducing narcotics production and trafficking. The program is designed to bring about enhanced cooperation by regional governments with U.S. counternarcotics efforts.

## JUSTIFICATION:

This new regional program will support cooperating countries in developing and implementing narcotics control programs.

The increased incidence of NIS/EE narcotics-related organized crime elements attempting to extend their operations to the U.S. poses a direct threat to our national security. The corrupting presence of thriving drug trafficking organizations in these countries also constitutes a hindrance to the establishment of democratic institutions, and lessens the potential for stable economic growth. This new regional account will provide a much broader capability to counter the debilitating influence of the narcotics trade in this critically important area of the world.

Counternarcotics assistance already provided to the region in Fiscal Years 1993 and 1994, includes:

- Over \$1 million of our UNDCP contribution earmarked for projects in NIS/EE;
- \$700,000 in bilateral enforcement, customs, and demand reduction training to Eastern Europe and the NIS; and
- Travel of an interagency team to Central Asia in May 1993 to assess the drug problem and evaluate the capabilities of local authorities.

Bilateral training has focussed on promoting a regional response. In light of the serious drug-related problems facing the NIS, most, if not all, of the governments in the region have a critical need for additional individualized advice and support. Funds from this new regional account will be used principally to provide bilateral commodity and technical assistance, which will bolster initiatives already underway from counternarcotics training and international organization accounts.

Law enforcement organizations in the region are working with the U.S. to target international drug operations, but lack basic equipment and expertise to track and prosecute cases. In Bulgaria, for instance, the Central Service for Combatting Organized Crime and Narcotics is developing a national data base to improve investigation of drug cases throughout Bulgaria. Counternarcotics funds were used to provide the Central Service with personal computers and other office equipment to develop this data base and improve communication between the Central Service offices and DEA Athens. Similar projects will be developed in most of the countries of the region.

Many regional police organizations have been successful in making numerous small-scale drug seizures and some larger ones, but capabilities have often been limited by a lack of basic equipment. Items such as handcuffs, radios, forensic equipment and drug testing kits are a top priority. Funds from the regional account will be used to address these procurement issues as well.

Many governments have requested assistance to bring their national legislation into line with the requirements of the 1988 UN Vienna Convention, and others have solicited specific advice on drafting legislation on money laundering, anti-racketeering, anti-organized crime, asset forfeiture and seizure, and other related areas. FY 1996 funds will finance the travel, per diem, interpretation, translation and other administrative costs associated with providing such assistance. U.S. experts will work with their counterparts involved in drafting legislation, and offer seminars geared for policy-level people from a range of interested ministries and other bodies. The focus will be on legislation and sensitizing policy makers. U.S. experts will also be utilized to assist governments in elaborating national drug control strategies, and in articulating a systematic approach to meeting training and equipment needs.

The new Narcotics Affairs Section (NAS) in Moscow, scheduled to be opened in FY 1995, will be funded by this regional account.

#### **EFFECTIVENESS MEASUREMENT:**

- Better exchange of information with U.S. law enforcement agencies, resulting in enhanced cooperation on operations and investigations;
- Increased cooperating country counternarcotics institutional capacities; and
- Increased public drug awareness and decreased market demand for drugs.

**NIS/EAST EUROPE REGIONAL COOPERATION  
INL BUDGET  
(\$000)**

	FY 1994	FY 1995	FY 1996
	-----	-----	-----
	1/		
<b>Commodities</b>	--	--	2,000
Vehicles, communications equipment, information systems, investigative and other equipment			
<b>Other Costs</b>	--	--	1,550
Training and operations support, surveys			
<b>Narcotics Affairs Section</b>	--	--	450

<b>TOTAL</b>	1/	0	0	4,000
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1/ In FY 1995, Asia/Africa/Europe Regional funds will be used to fund start-up costs of the NIS programs.

## INTERREGIONAL AVIATION

### PROGRAM DESCRIPTION AND BUDGET REQUEST:

#### PROGRAM SUMMARY (Dollars in Millions)

ACTUAL FY 1994	ESTIMATED FY 1995	REQUEST FY 1996
19.000	24.000	21.000

#### OBJECTIVES:

- Aerially eradicate drug crops with pesticides and/or transport workers for manual destruction of drug crops;
- Support institution building of cooperating host governments' aviation programs;
- Destroy cocaine and heroin processing laboratories and interdict drug trafficking activities by aerial transport of host government law enforcement agencies;
- Conduct aerial reconnaissance to locate drug drops and production facilities and verify eradication program results.

#### JUSTIFICATION:

The interregional aviation program supports governments in South and Central America and the Caribbean to eradicate drug crops, interdict drug trafficking activities, and to develop their own institutional counternarcotics aviation capabilities.

The Administration's strategy shifts counterdrug program emphasis from transit trafficking countries to crop control efforts and source countries. Since nearly all drugs are produced in remote, underdeveloped, inaccessible regions where both infrastructure and law enforcement are minimal, aircraft are required to eradicate drug crops and to move personnel and equipment. In response to host government requests for assistance, the interregional aviation program provides eradication aircraft and aviation support services.

• **Accomplishments.** Aerial eradication programs are underway now in most South American drug producing countries. U.S.-funded institution-building assistance is making important progress throughout Latin America, leading to enhanced local capabilities and reduced American contractor staffing. In Bolivia, all missions are flown by Bolivian Air Force (BAF) pilots, including those requiring night vision goggles, and an increasing share of maintenance and logistics support is performed by the BAF. In Peru, all missions are flown by Peruvian National Police (PNP) pilots and the PNP is pursuing an aggressive maintenance training program. The Colombian

National Police (CNP) is utilizing U.S. assistance in pursuing aggressive two-pronged efforts against opium and coca cultivation and cocaine smuggling.

Interregional aviation activities play a vital role in implementing the President's decision to shift the emphasis of U.S.-funded international counternarcotics interdiction activities from the drug transit zone to drug producing countries. Under a new mobile basing strategy in Peru, U.S.-owned helicopters transport PNP personnel and U.S. law enforcement advisors on counternarcotics operations throughout eastern Peru. In Bolivia, U.S.-owned helicopters enable the Bolivian government to project authority over vast areas where drug traffickers previously operated with impunity. While some support for interdiction projects in Central American drug transit countries is being reduced; we are retaining the capability to intercept drug smuggling aircraft, day or night.

In FY 1995, the interregional aviation program will continue to: respond to aerial eradication requests from Latin American countries; assist eradication programs in Guatemala, Belize, Panama, Colombia, and Venezuela; and support for helicopter operations in Colombia, Peru, and Bolivia.

**FY 1996 Program.** Interregional aviation activities will continue to focus on key programs in Colombia, Bolivia, Peru, and Guatemala, with temporary deployments of aircraft and personnel elsewhere in the Andean region and Central America. Progress will continue in reaching self-sufficiency status for our aircraft maintenance and training programs in Bolivia and Peru. Further emphasis will be made on aerial eradication of drug crops in South American countries.

**Operations Support** includes funding for the administrative costs associated with our Inter-Service Support Agreement (ISSA) with Patrick Air Force Base which provides hangar space, utilities, refuse collection, etc. and funding support for DOD officers assigned as interregional aviation staff and other direct-hire personnel.

#### **EFFECTIVENESS MEASUREMENT:**

- Eradication of drug crops with aerially-applied pesticides;
- Enhanced host governments' institutional capabilities to undertake counternarcotics air operations safely and effectively;
- Continued transport personnel, conduct resupply activities, and provide other logistics support for field activities;
- Aerial reconnaissance missions to pinpoint drug production areas and facilities and verification of eradication.

**INTERREGIONAL AVIATION**  
**INL BUDGET**  
**(\$000)**

	FY 1994	FY 1995	FY 1996
	-----	-----	-----
<b>Aviation Support Services Contract</b>			
48 aircraft fleet	16,000	18,700	18,000
<b>Parts, Maintenance, and Overhaul</b>			
DOD logistics services	1,750	4,000	1,900
Subtotal	17,750	22,700	19,900
<b>Operations Support</b>			
Direct-hire personnel( 7)	480	500	530
PASA travel and training, Patrick AFB	150	160	150
PASA travel and training, Washington and overseas staff.	100	60	40
Administrative services and program suppo	250	150	130
Base support, Patrick AFB	180	160	250
C-141 DOD Airlift	90	270	0
Subtotal	1,250	1,300	1,100
<b>TOTAL</b>	<b>* 19,000</b>	<b>24,000</b>	<b>21,000</b>

\* In FY 1994 \$1 mil was transferred into the Aviation Program from ONDCP increasing the program to \$20 mil.

## INTERNATIONAL ORGANIZATIONS

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

PROGRAM SUMMARY  
(Dollars in Millions)

ACTUAL FY 1994	ESTIMATED FY 1995	REQUEST FY 1996
5.000	6.500	11.500

## OBJECTIVES:

- Maintain strategic leadership in guiding the international drug control effort; and
- Involve UNDCP and other international organizations to plan and execute programs which expand multilateral cooperation.

## JUSTIFICATION:

This program provides the U.S. contributions to counternarcotics programs of international organizations, including the United Nations International Drug Control Program (UNDCP), the Organization of American States (OAS) Inter-American Drug Abuse Control Commission (CICAD), the Colombo Plan, and the World Health Organization Program on Substance Abuse (WHO/PSA).

U.S. contributions to UNDCP have had significant impact on the operations and expansion of UN counternarcotics programs and policy. Furthermore, the level of U.S. contributions has also led to increased commitment from European donors, whose primary vehicle for international drug control efforts continues to be the UN. Recent U.S. contributions to UNDCP have led to:

- Establishing the first sub-regional projects between Thailand-Burma and China-Burma to eliminate opium poppy and increase interdiction efforts;
- Reducing opium poppy in the UNDCP project area of Dir, Pakistan, and developing a project to reach more remote and larger growing areas in the region;
- Expanding UNDCP activities to provide chemical control and money laundering investigative training;
- A regional training project in the Caribbean for prosecutors and judges working on narcotics-related cases;
- Coordinating bilateral and multilateral assistance to Eastern Europe and the Newly Independent States (NIS), and providing advice and legal expertise to the NIS to implement the 1988 UN Convention; and

- Supporting the implementation of the SWAP by convening an international meeting in Islamabad, Pakistan, that included multilateral and bilateral donors. This meeting resulted in agreement on integrating a drug dimension in the work of the UN agencies involved in the rehabilitation of Afghanistan.

**OAS/CICAD.** U.S. pledges to OAS/CICAD have produced concrete results as well as stimulating increased anti-drug aid from other donors. Results include:

- Model regulations on the control of precursor and essential chemicals and control of money laundering;
- Assisting governments and non-governmental organizations to develop public awareness/drug abuse prevention campaigns and provide demand reduction training and community mobilization;
- A legal development program in Central America to assist countries to improve their legal infrastructures and to promote harmonization of drug laws within that region; and
- Networking of organizations dedicated to assisting street children in the Andean countries and introducing drug abuse prevention activities to their programs. Models will be developed and shared with other regions.

**FY 1996 Program.** Funds will support expanded multilateral drug control objectives:

**UNDCP.** U.S. financial contributions will enhance UNDCP ability to:

- Develop a demand reduction strategy and expand demand reduction activity.
- Implement projects in key heroin-producing areas where the U.S. has limited access.
  - Subregional projects in Southeast Asia in Burma, China, Thailand, and Laos, and possibly in new areas including Cambodia and Vietnam.
  - The political changes in Afghanistan have prompted projects that target poppy growing and demand reduction.
  - In the NIS, UNDCP is designing projects to strengthen institutions that can target the drug trade. A UNDCP regional office based in Tashkent, Uzbekistan, will support these efforts.
  - UNDCP has begun to establish contacts in Lebanon and has planned a project that targets poppy growing and heroin production.
  - In Pakistan, UNDCP will need additional funds to continue projects that target the largest and most remote poppy growing areas of the Dir region.

- Provide assistance to support strengthening host government institutions involved in the investigation, prosecution, and confinement of major drug traffickers.
- Support implementation of the UN drug conventions, such as providing legal advice, training for money laundering investigations, assistance for implementing chemical control regimes, and establishing a maritime working group to help increase maritime interdiction activities.

**OAS/CICAD** is working on a broad range of projects, including:

- Further action on control of precursor chemicals and money laundering;
- A drug abuse prevention program for Street Children in the Andes;
- Expanding the Central American Legal Development project and initiating a Judicial Development project for the Andean region;
- Developing a communications strategy, demand reduction and public awareness programs, and expanding treatment training;
- Coordinating international law enforcement training;
- Establishing demand reduction projects in the Caribbean and establishing a regional training center with UNDCP in Argentina;
- Holding arms trafficking workshops to enhance international cooperation in stopping the illegal movements of weapons in the hemisphere;
- An initiative to enhance the central drug coordinating bodies in the region; and
- Establishing an Experts Group on Alternative Development.

**COLOMBO PLAN.** The U.S. has traditionally provided funding to the Colombo Plan, the only regional organization responsible for both SAARC and ASEAN countries.

- As a result of the Colombo Plan-sponsored regional drug treatment training sessions in Southwest and Southeast Asia, Pakistan, India, Nepal, and Bangladesh have developed treatment programs in community and prison settings. Similar training sessions in Southeast Asia are the foundation for treatment programs in China, Malaysia, and Thailand.
- The Colombo Plan recently organized a coalition of drug prevention NGOs in Southeast Asia.
- FY 1996 funds will be used to continue regional treatment seminars in Southeast and Southwest Asia and to organize coalitions of NGOs in SAARC countries.

**EFFECTIVENESS MEASUREMENT:**

- Increase institutional infrastructure of cooperating countries to reduce the production and trafficking of drugs;
- Ratification of the 1988 UN Convention;
- Provision of law enforcement and demand reduction training, encourage maritime interdiction cooperation, and pursue control of precursor chemicals and money laundering;
- Expansion of UNDCP (and OAS) chemical control assistance activities; and
- Progress on implementation of the Global Program of Action and the System Wide Action Plan (SWAP) to make drug control an integral part of UN programs.

**INTERNATIONAL ORGANIZATIONS****INL BUDGET**

(\$000)

	FY 1994	FY 1995	FY 1996
	-----	-----	-----
U. N. International Drug Control Prog	4,300	5,500	10,750
Colombo Plan, OAS	700	1,000	750
<b>TOTAL</b>	<b>5,000</b>	<b>6,500</b>	<b>11,500</b>

**NARCOTICS LAW ENFORCEMENT TRAINING,  
DRUG AWARENESS AND DEMAND REDUCTION**

**PROGRAM DESCRIPTION AND BUDGET REQUEST:**

**PROGRAM SUMMARY**  
(Dollars in Millions)

<b>ACTUAL FY 1994</b>	<b>ESTIMATED FY 1995</b>	<b>REQUEST FY 1996</b>
8.000	7.000	11.500

**OBJECTIVES:**

**Narcotics Law Enforcement Training:**

- Contribute to the basic infrastructure for carrying out counternarcotics law enforcement activities in cooperating countries;
- Improve technical skills of drug law enforcement personnel in cooperating countries; and
- Increase cooperation between U.S. and foreign law enforcement officials.

**Drug Awareness and Demand Reduction:**

- Strengthen the ability of host nations to conduct more effective demand reduction efforts on their own;
- Encourage drug producing and transit countries to invest resources in drug awareness, demand reduction, and training to build public support and political will for implementing counternarcotics programs; and
- Improve coordination of and cooperation in international drug awareness and demand reduction issues involving the U.S., donor countries, and international organizations.

**JUSTIFICATION:**

This program category includes two discrete functional activities. Law Enforcement Training is designed to assist cooperating countries in creating effective national organizations for investigating drug trafficking and interdicting illegal narcotics. Drug Awareness and Demand Reduction seeks to reduce the worldwide demand for illicit drugs through stimulating foreign governments and institutions to give increased attention to the negative effects of drug abuse upon societies.

### Law Enforcement Training:

International counternarcotics law enforcement training is managed and funded by the Department of State, and implemented by DEA, the U.S. Customs Service, and the U.S. Coast Guard.

Since 1971, USG agencies have trained more than 55,700 foreign narcotics law enforcement officers with approximately \$99.5 million. Training offered in the U.S. is tailored to senior policy and management-level officials and programs offered overseas are designed for operational personnel.

**Accomplishments.** FY 1994 narcotics law enforcement training promoted counternarcotics institutional development in cooperating nations. Training, recognized as a key element in developing political will to take action on narcotics problems, has contributed to successful interdiction campaigns, investigations, and development of infrastructure for self-training of enforcement officers. Basic instruction programs are being provided only in countries having limited experience with anti-narcotics activities. Most of the training scheduled is in such areas as executive and management development, asset forfeiture and financial investigations, use of special enforcement teams, counternarcotics security measures, and instruction techniques. Institution-building activities are key elements of the programs offered in FY 1994:

- DEA created a new one-week course designed to bring together top career drug law enforcement officials in different geographic regions, to discuss the latest trends in management of drug enforcement programs. DEA initiated several projects to provide intensive assistance to national drug enforcement units, most notably in Mexico, where program costs are being underwritten entirely by the Government of Mexico.
- U.S. Customs developed and started a course on internal controls and anti-corruption issues. The Customs training is heavily oriented toward developing local institutions.
- The U.S. Coast Guard broadened its involvement in providing assistance on port security, and scheduled a number of programs dealing with instruction techniques and management of interdiction programs.

**FY 1996 Program.** U.S.-funded training will continue to support host governments' ability to eliminate drug production and trafficking, particularly in areas being used as production and transit points for drugs reaching the U.S.

Law enforcement training will focus on the emerging problem of heroin abuse and trafficking. Programming has already taken place for countries involved in opium production and trafficking where USG access has improved recently (e.g., Central Asia, Cambodia and Vietnam), and efforts will continue to expand programs which target the heroin problem. Another area of focus will be countries of the former Soviet Union. During the last two fiscal years, a limited amount of such counternarcotics law enforcement training has been made available, but the region still has pressing needs for assistance which have not been met.

The increase in law enforcement training for FY 1996 goes beyond the traditional areas of basic investigations and interdiction to create integrated systems for narcotics law enforcement in such areas as money laundering, chemical controls, and judicial programs.

#### **Drug Awareness and Demand Reduction:**

**Accomplishments.** Because of U.S.-funded training and technical assistance, host governments have been able to engage their own national institutions, communities and resources to reduce the demand for illicit drugs. The U.S. has encouraged donor countries and international organizations to provide support to international demand reduction programs.

Significant demand reduction accomplishments include the following:

- Countries in Latin America and South Asia developed and staffed their own drug treatment/prevention programs.
- Countries implemented their own national level drug awareness campaigns in the Caribbean and Central America, and conducted their own national level epidemiological surveys in South America.
- Countries in South America and Asia developed regional training centers for demand reduction.
- The European Community, UNDCP, OAS, PAHO, Colombo Plan, and host governments co-sponsored with the U.S. regional training events in Latin America and South Asia, and the development of specialized drug prevention projects for high-risk youth in Latin America.

**FY 1996 Program.** U.S.-funded training will continue to strengthen host nation counternarcotics institutions so they can conduct more effective demand reduction and public awareness programs on their own. The program will give particular attention to cocaine producing and transit countries in Latin America and address the emerging heroin threat from South Asia. Another area of focus will be in countries of Eastern Europe and the former Soviet Union. The program will also increase collaborative multilateral projects with other donor countries and international organizations as reflected in the Administration's new National Drug Control Strategy.

The increase in training and technical assistance in FY 1996 goes beyond the traditional emphasis on treatment, prevention, education, and public awareness. While training will be increased in these four areas, the program will expand its focus to include the development of national, regional, and international coalitions of public/private sector organizations to strengthen international cooperation and actions against the drug trade.

The public awareness program will enhance the ability of host countries to build public support and strengthen the political will for implementing counternarcotics programs. Training will focus on the development of national-level drug awareness campaigns that demonstrate connections between the drug trade and other concerns such as economic growth, democracy, and the environment. Technical assistance will focus on helping host governments conduct sustained drug awareness campaigns by developing linkages between the corporate sector and the mass media. The public awareness program will also help develop regional and international coalitions of non-government organizations (NGOs) to mobilize international opinion against the drug trade and encourage governments to develop and implement strong counternarcotics policies and programs.

The demand reduction program will work at the policy and grassroots levels to build a public/private base to sustain pressure against the drug trade. At the policy level, the program will focus assistance on building national-level counternarcotics institutions with the capacity to develop comprehensive demand reduction policies, programs, and strategies. At the grassroots level, the program will help establish and sustain community partnerships among businesses, schools, religious groups, law enforcement, and the media. A goal of strong community-based partnerships is to establish demand reduction programs which address drug-related crime and violence and support national policies.

#### **EFFECTIVENESS MEASUREMENT:**

##### **Law Enforcement Training:**

- Appropriate foreign personnel receive professional training and are subsequently utilized to carry out counternarcotics activities;
- Over time, host nations become less dependent on U.S. assistance, and are able to deliver a wide range of anti-narcotics training on their own; and
- Training results in closer cooperation with U.S. enforcement agencies, leading to enforcement actions which are disruptive to the illicit drug trade.

##### **Drug Awareness and Demand Reduction:**

- Number of community partnerships and coalitions established;
- Number of treatment and prevention programs established;
- Number of public awareness campaigns initiated;
- Number of epidemiology/drug consumption surveys initiated; and
- Collaborative projects with other donor countries and international organizations.

**NARCOTICS LAW ENFORCEMENT TRAINING,  
DRUG AWARENESS AND DEMAND REDUCTION  
INL BUDGET  
(\$000)**

	FY 1994	FY 1995	FY 1996
	-----	-----	-----
<b>Narcotics Law Enforcement Training</b>			
Drug Enforcement Admin. training	3,633	2,900	3,500
Customs Service training	2,100	1,900	2,100
Coast Guard training	437	400	400
Narcotic detector dog training	400	400	400
Visitor programs/exchanges	100	100	100
Subtotal	6,670	5,700	6,500
<b>Drug Awareness and Demand Reduction</b>			
Contracts/Grants/Agreements	930	900	3,000
Training	400	400	2,000
Subtotal	1,330	1,300	5,000
<b>TOTAL</b>	<b>8,000</b>	<b>7,000</b>	<b>11,500</b>

## PROGRAM DEVELOPMENT AND SUPPORT

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

PROGRAM SUMMARY  
(Dollars in Millions)

ACTUAL FY 1994	ESTIMATED FY 1995	REQUEST FY 1996
6.000	6.300	6.500

## OBJECTIVES:

- Develop and manage narcotics control activities of the Department of State, coordinates with other U.S. Government agencies, and provides program, financial, procurement, administrative guidance and assistance for the programs world-wide.

## JUSTIFICATION:

Program development and support (PD&S) funds provide program-wide policy, technical, and administrative support for the Department of State, Bureau of International Narcotics and Law Enforcement Affairs (INL). PD&S funds are managed by Washington-based personnel for program planning, design and evaluation, special studies, and short-term technical assistance.

The Department of State is responsible for developing plans and a broad range of initiatives to achieve international counternarcotics foreign policy objectives. The Assistant Secretary for INL provides policy direction and interagency coordination to implement the President's National Drug Control Strategy. The INL bureau maintains a cadre of program and technical experts to meet overseas and domestic requirements and support field needs.

The PD&S budget for FY 1996 will provide salaries and expenses for 69 full-time employees, reimbursable administrative services from other State Department bureaus, and reimbursable support from other agencies. Seven other direct-hire employees and two reimbursable are assigned to support the interregional aviation program.

The Assistant Secretary for INL is responsible for an increasingly complex counternarcotics program. Washington headquarters staff activities include: guiding, evaluating, and backstopping programs overseas; conducting periodic visits to embassy narcotics affairs sections to review, analyze, and make recommendations on programs; developing or sponsoring management control seminars for overseas staff; developing training programs for new personnel; coordinating liaison functions with other agencies and governments; and other program management functions. PD&S funds also support short-term evaluations, special public affairs materials, and administrative support for the INL bureau.

Headquarters staff provided administrative support to personnel working in international criminal justice functions of the INL Bureau. Salaries and expenses for the Office of International Criminal Justice (ICJ) is supported by the Department's Salary and Expense (S&E) account.

The increase in the FY 1996 PD&S budget corresponds to funding 123 positions, the annual government-wide cost of living adjustment approved by Congress, justified promotions and in-grade step increases, employee transfer costs, and inflation.

**PROGRAM DEVELOPMENT AND SUPPORT**  
**INL BUDGET**  
**(\$000)**

	FY 1994	FY 1995	FY 1996
Domestic direct-hire personnel	4,675	4,725	4,800
Reimbursable personnel support	475	300	350
Short-term contract technical specialists and consultants	50	250	250
Travel Costs (includes PCS)	325	350	350
Staff training	50	50	50
Administrative services	325	375	400
Computer equipment upgrading	25	100	100
Special studies and evaluations	75	150	200
<b>TOTAL</b>	<b>6,000</b>	<b>6,300</b>	<b>6,500</b>

**FY 1996  
DIRECT HIRE STAFFING**

**FY 1996 Staffing.** The programs of the Bureau of International Narcotics and Law Enforcement Affairs (INL) will be administered from Washington by the Assistant Secretary, whose salary is paid by the Department of State's Salaries and Expenses appropriation, and a staff of 78 domestic employees, six reimbursable support personnel assigned to other bureaus, and three reimbursable support positions from other agencies.

A total of 26 direct-hire American field positions and 18 direct-hire foreign national positions are financed from INL country program funds to implement the Bureau's narcotics efforts overseas.

Excluding the Assistant Secretary position and 6 International Criminal Justice positions funded by the Department of State Salary and Expenses account, INL funds 103 full-time American direct-hire positions and 18 foreign national positions to manage its narcotics programs, distributed as follows:

		American -----	Local -----	Total -----
Domestic	1/	77	0	77
Overseas		[26]	[18]	[44]
Bahamas		1	-	1
Belgium		1	-	1
Bolivia		4	3	7
Brazil		1	-	1
Colombia		4	3	7
Ecuador		1	1	2
Guatemala		1	1	2
Jamaica		1	-	1
Laos		1	-	1
Mexico		1	2	3
Russia		1	-	1
Pakistan		2	2	4
Panama		1	-	1
Peru		3	2	5
Thailand		2	4	6
Venezuela		1	-	1
<b>TOTAL</b>	1/	----- 103	----- 18	----- 121

1/ These amounts do not include 6 personnel assigned to the Office of Criminal Justice and funded from the Department of State Salary and Expense account.

## INTERNATIONAL CRIMINAL JUSTICE

## PROGRAM DESCRIPTION AND BUDGET REQUEST:

PROGRAM SUMMARY  
(Dollars in Millions)

ACTUAL FY 1994	ESTIMATED FY 1995	REQUEST FY 1996
-	25.165	12.000

## OBJECTIVES:

- To combat the growing threat to our national security posed by international organized crime;
- To help emerging democracies strengthen their national judicial and law enforcement institutions;
- To provide training and technical assistance to foreign civilian law enforcement agencies as an element of peace-keeping operations; and
- To strengthen efforts by the United Nations and other international organizations to assist member states in combating international criminal activity.

## JUSTIFICATION:

The Office of International Criminal Justice (ICJ) was mandated by the Secretary of State to fund, coordinate and provide policy guidance for international crime matters. This includes law enforcement training assistance and procurement of equipment for those countries in which international criminal activity arises.

**FY 1996 Program.** The budget request reflects the decision to consolidate management of law enforcement and police training programs under INL. INL/ICJ will use the International Criminal Investigative Assistance Program (ICITAP) and other organizations to provide training programs and technical assistance to the New Independent States, Russia, Eastern Europe, Latin America, Africa, and East Asia.

### **NIS, Russia, Eastern Europe**

Russia and the NIS. ICJ will fund training programs to strengthen the capacity of the governments of Russia and the other NIS states to combat the activities of organized crime, including financial crimes and illegal trafficking. ICJ will fund the second year of training and technical assistance programs in Russia and the NIS carried out by the FBI, Secret Service, Customs, IRS and other U.S. federal law enforcement agencies. The focus of assistance will be organized crime, financial crimes, nuclear smuggling and drug trafficking.

Eastern Europe. ICJ also would fund the second year of law enforcement training and technical assistance programs in Eastern Europe. ICJ will continue the advanced technical assistance programs begun in Poland, Czech Republic, and Hungary. Training in investigations of organized crime and financial crimes will begin in the Baltics and Slovakia.

### **Latin America**

Law Enforcement Training. ICJ will support civilian law enforcement training programs in the Latin American region.

Stolen Cars. ICJ will fund the second phase of the program to negotiate bilateral agreements with regional governments to provide standard procedures for the recovery and return from Central America of stolen U.S. vehicles and to provide training (ICITAP) for law enforcement agencies to reduce the several \$100 million yearly loss in car-theft from the United States. This program is strongly supported by the U.S. insurance industry.

### **Africa and East Asia**

Africa. Law enforcement training and technical assistance in newly-emerging democracies will promote respect for human rights. ICJ also will provide technical assistance to law enforcement agencies in South Africa responsible for preventing illegal trafficking in nuclear materials and weapons.

East Asia. ICJ will provide law enforcement training to prevent money laundering and to combat organized crime groups involved in alien smuggling.

### **Multilateral Organizations/Other**

ICITAP. ICITAP law enforcement and forensics training will be provided for countries in transition from civil strife or military rule to democratic rule (e.g. Haiti, Rwanda, Bosnia, and West Bank/Gaza).

Multilateral Organizations and Initiatives. Funding for the UN's Crime Prevention and Criminal Justice Branch and other multilateral organizations will be provided to undertake training and technical assistance programs.

Financial Action Task Force (FATF). Contributions to key research activities and meetings of the FATF not otherwise funded by the U.S. government, international organizations, or operational expenses of the office will aid in addressing money-laundering crimes.

**EFFECTIVENESS MEASUREMENT:**

- Formulation of policies and coordination of U.S efforts to combat international organized crime -- international financial and economic crimes, particularly money-laundering, and international illegal trafficking, particularly alien smuggling;
- Coordination of law enforcement training programs and Rule of Law/Administration of Justice program in order to strengthen the ability of emerging democracies to deal with the challenges of organized crime groups;
- Implementation of law enforcement training programs, particularly in the NIS, Eastern Europe, East Asia, and Latin America, to eliminate organized criminal groups, illegal trafficking, and financial and economic crimes; and
- Development of assistance programs to improve the law enforcement capability of member states of the United Nations Commission on Crime Prevention and Criminal Justice and the increased effectiveness of that body.

**INTERNATIONAL CRIMINAL JUSTICE**  
**FY 1996 BUDGET**  
(\$000)

	FY 1995	FY 1996
	-----	-----
<b>Criminal Justice Programs</b>	1/	2/
NIS/Russia/E. Eur (AID/Freedom Support, SEED Act and ESF) (USLETC Budapest)	19,665	--
Crime Initiatives: Money Laundering, Financial Crime etc.	1,200	2,500
Alien Smuggling, Training, Technical and Operations Support	1,000	3,000
U.S. Stolen Cars Initiatives and Technical Assistance	1,000	2,000
Anti-Contraband Initiative	500	3,000
Program Development Support	300	1,500
NIS Participant Support (Held by USAID Training Office)	1,500	--
<b>TOTAL</b>	1/ <b>25,165</b>	2/ <b>12,000</b>

1 In FY 1995, a total of \$23.665 mil was transferred to INL for implementation of ICJ programs \$13.665 FSA, \$5 mil SEED and \$5 mil ESF. \$1.5 mil was held by USAID for foreign participant support cost.

2 In FY 1996, \$12 mil reflected for ICJ in the INL budget will be included in the FY 1996 ESF budget request. Additional FSA and SEED ACT funding for ICJ programs will be included in the appropriate budget requests.



**PEACE CORPS**

**Congressional  
Budget Presentation**

**Fiscal Year  
1996**

(865)

# PEACE CORPS

March 1, 1995

The Honorable Sonny Callahan  
 Chairman, Subcommittee on Foreign Operations  
 Committee on Appropriations  
 House of Representatives  
 Washington, D.C. 20515

Dear Mr. Chairman:

I am pleased to provide you with Peace Corps' FY 1996 Congressional Budget Presentation.

The Administration's budget request for Peace Corps for the coming fiscal year is \$234 million. These funds will provide direct and indirect support for approximately 7,100 American Volunteers serving in 94 countries. In this era of budgetary constraints, when every government agency is being asked to reduce the costs of its operations and increase its efficiency, I am proud to report that Peace Corps is meeting this important challenge while remaining true to our central mission: sending committed Volunteers to do the hard work of development at the grassroots level in needy communities around the world.

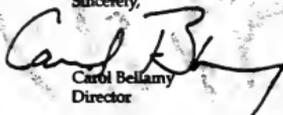
Over the last year, Peace Corps has undertaken a series of important steps that have reduced the cost of recruiting, training and placing Volunteers overseas. By the end of FY 1995, we will send more Volunteers into the field at roughly the same budget level as last year. In addition, Peace Corps also plans to close its operations in four countries by the end of this fiscal year.

Even as we take these fiscally responsible steps, Peace Corps is maintaining the high quality of our programs and meeting the new challenges of the 1990s. Volunteers around the world are still teaching tens of thousands of students, conducting child immunization and pre-natal health care programs, and introducing modern farming techniques in poor rural communities. But Volunteers are also teaching small business skills to entrepreneurs in Eastern and Central Europe and the new republics of the former Soviet Union. They are working with municipal governments and non-governmental organizations to develop environmental restoration and protection plans. Perhaps most importantly, Volunteers are helping individuals in every region take more control over, and responsibility for, their own development.

Just as the developing world benefits from Peace Corps programs, so does America. When Volunteers return home from their two-year tours overseas, they bring back a wealth of experience about other countries and cultures that strengthens America's ability to compete in the international economy. Many Volunteers, after serving in the Peace Corps, continue their work in education, health, and economic development, directly benefiting communities across the United States.

Because Peace Corps has a long tradition as a government agency that works both at home and abroad, it has enjoyed strong bipartisan support in Congress and among the American people. I look forward to working with you to continue this tradition.

Sincerely,



Carol Bellamy  
 Director



1990 K Street, N.W.  
 Washington, D.C. 20526

Printed on Recycled Paper

**Appropriations Language**

For expenses necessary to carry out the provisions of the Peace Corps Act (75 Stat. 612), \$234,000,000 including the purchase of not to exceed five passenger motor vehicles for administrative purposes for use outside of the United States: Provided, That none of the funds appropriated under this heading shall be used to pay for abortions: Provided further, That funds appropriated under this heading shall remain available until September 30, 1997.

Peace Corps' FY 1996 budget request is \$234 million. This is an increase of 1% above the Agency's FY 1995 budget, which totaled \$231.3 million (\$219.7 in direct appropriations and \$11.6 million in funds transferred to Peace Corps from the New Independent States account).

In response to continuing budget constraints, Peace Corps has implemented a number of operational changes to improve the cost-effectiveness of its operations so that funds could be redirected to support the maximum number of Volunteers. During FY 1995, Peace Corps consolidated recruiting efforts and closed three regional recruiting offices. The country program in Argentina was also closed. These actions, in addition to other administrative improvements, have enabled Peace Corps to decrease the annual cost of supporting a Volunteer by some \$3,000 without compromising the quality of volunteer programs or support. As a result, despite a continuing real decline in budgetary resources, Peace Corps will support approximately 7,100 Volunteers and trainees by the end of FY 1995 — a twenty year high.

In planning for the future, Peace Corps recognizes that if the Agency is to avoid significant reductions in the number of Volunteers, it must implement new methods of managing and carrying out its business operations. Modernization of software, hardware, and communications technologies is a case in point. The major investments the Agency is currently making in these areas will reap considerable financial savings in future years.

Despite these operational improvements, it will be a much greater challenge in FY 1996 to limit the impact of budget constraints on the number of Volunteers in the field. Peace Corps will make further reductions in domestic operations, but since 85% of the Agency's budget is devoted to Volunteer recruitment, training and support, additional reductions in international operations will also be necessary. To operate at \$234 million in FY 1996, Peace Corps is planning to close four country programs including those in Nigeria, the Seychelles and Cook Islands. Several other programs, most likely Costa Rica, Thailand, Hungary and Cameroon will be reduced.

Even as Peace Corps takes these actions, the Agency will continue to explore every option for savings so that a reduction in Volunteers is always the choice of last resort.

**BUDGET ACTIVITIES**
**Peace Corps FY 1996 Budget Request**

(In thousands of dollars)

	FY 1994 <u>Actual</u>	FY 1995 <u>Estimate</u>	FY 1996 <u>Estimate</u>
<b>INTERNATIONAL OPERATIONS</b>			
<b>AFRICA REGION</b>			
Program Support	20,653	21,619	20,754
Direct Volunteer Support	29,990	28,994	31,023
In-Service Training	916	1,221	1,187
Pre-Service Training	11,236	8,703	10,056
<b>SUBTOTAL, AFRICA REGION</b>	<b>62,794</b>	<b>60,538</b>	<b>63,020</b>
<b>ASIA PACIFIC REGION</b>			
Program Support	7,497	7,762	7,689
Direct Volunteer Support	9,626	9,848	9,494
In-Service Training	540	680	728
Pre-Service Training	2,594	3,173	2,826
<b>SUBTOTAL, ASIA PACIFIC REGION</b>	<b>20,257</b>	<b>21,464</b>	<b>20,737</b>
<b>EUROPE, CENTRAL ASIA, AND MEDITERRANEAN</b>			
Program Support	13,330	13,519	12,988
Direct Volunteer Support	13,309	13,342	14,871
In-Service Training	562	840	1,043
Pre-Service Training	4,081	4,816	4,727
<b>SUBTOTAL, EURASIA MIDDLE EAST REGION</b>	<b>31,282</b>	<b>32,517</b>	<b>33,629</b>
<b>INTER-AMERICAN REGION</b>			
Program Support	10,527	11,708	11,505
Direct Volunteer Support	15,856	16,994	17,463
In-Service Training	398	591	659
Pre-Service Training	7,107	5,243	6,734
<b>SUBTOTAL, INTER-AMERICA REGION</b>	<b>33,889</b>	<b>34,535</b>	<b>36,361</b>
<b>OTHER PROGRAM REDUCTIONS 1/</b>		<b>-758</b>	<b>-2,966</b>
<b>TOTAL, INTERNATIONAL OPERATIONS</b>	<b>148,223</b>	<b>148,296</b>	<b>150,781</b>
<b>OTHER VOLUNTEER SUPPORT</b>			
<b>POLICY AND DIRECTION 2/ 3/ 4/ 5/</b>	<b>4,187</b>	<b>5,861</b>	<b>5,700</b>
<b>VOLUNTEER RECRUITMENT AND SELECTION 3/</b>			
Placement	2,938	2,988	3,008
Recruitment	10,712	11,155	10,781
<b>SUBTOTAL, VOLUNTEER RECRUITMENT</b>	<b>13,650</b>	<b>14,143</b>	<b>13,789</b>
<b>TRAINING AND PROGRAM SUPPORT</b>			
Training and Technical Resources	6,498	5,153	4,550
United Nations Volunteers	378	360	0
<b>SUBTOTAL, TRAINING AND PROGRAM SUPPORT</b>	<b>6,876</b>	<b>5,513</b>	<b>4,549</b>

(cont'd)

## BUDGET ACTIVITIES

OTHER VOLUNTEER SUPPORT			
	FY 1994	FY 1995	FY 1996
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
<b>OFFICE OF VOLUNTEER SUPPORT 4/ 5/</b>			
Medical Services 6/	9,757	11,936	12,769
Volunteer Services 6/	2,665	2,031	2,088
Federal Employees Compensation Allowance (FECA)	9,155	9,959	10,514
Domestic Programs			
Returned Volunteer Services	475	523	489
PC Fellows/USA Program	142	163	166
World Wise Schools	340	484	468
<b>SUBTOTAL, OFFICE OF VOLUNTEER SUPPORT</b>	<b>22,534</b>	<b>25,075</b>	<b>26,493</b>
<b>MANAGEMENT 2/ 5/</b>			
Operations	7,132	6,823	7,451
Centrally Shared Resources	16,050	15,295	15,094
<b>SUBTOTAL, MANAGEMENT</b>	<b>23,182</b>	<b>22,117</b>	<b>22,545</b>
<b>PLANNING, BUDGET, AND FINANCE</b>			
Operations	4,355	3,484	3,707
Centrally Shared Resources	8,182	7,788	8,076
<b>SUBTOTAL, PLANNING, BUDGET, AND FINANCE</b>	<b>12,537</b>	<b>11,253</b>	<b>11,783</b>
<b>INSPECTOR GENERAL</b>	<b>1,546</b>	<b>1,822</b>	<b>1,846</b>
<b>TOTAL, OTHER VOLUNTEER SUPPORT</b>	<b>84,514</b>	<b>85,782</b>	<b>86,706</b>
<b>GRAND TOTAL AGENCY PROGRAM LEVEL</b>	<b>232,737</b>	<b>234,078</b>	<b>237,487</b>
<b>APPROPRIATED RESOURCES</b>	<b>219,745</b>	<b>219,745</b>	<b>234,000</b>
<b>TRANSFER FROM NIS FUNDS</b>	<b>12,500</b>	<b>11,600</b>	
<b>UNOBLIGATED BALANCE FROM PREVIOUS YEAR 7/</b>	<b>8,364</b>	<b>7,219</b>	<b>3,987</b>
<b>TOTAL APPROPRIATED RESOURCES</b>	<b>240,609</b>	<b>238,564</b>	<b>237,987</b>
<b>UNOBLIGATED BALANCE AT END OF YEAR</b>	<b>-7,219</b>	<b>-3,987</b>	
Reserve for Unrecorded Obligations and Adjustments to Prior Years	-653	-500	-500
<b>ESTIMATED REIMBURSEMENTS</b>	<b>4,635</b>	<b>6,931</b>	<b>7,139</b>
<b>TOTAL AVAILABLE BUDGETARY RESOURCES</b>	<b>237,372</b>	<b>241,008</b>	<b>244,626</b>
	(Detail may not add due to rounding)		

## Notes:

- 1/ Includes program reductions still to be identified: closing of 1 additional country program in FY 1995 and reduction by 59 and 97 trainees input to ongoing country programs in FY 1995 and 1996, respectively.
- 2/ On 5/15/94 Planning and Policy Analysis was transferred from the Office of Management to Policy and Direction.
- 3/ On 6/26/94 Marketing Resources was transferred from Volunteer Recruitment and Selection to Policy and Direction.
- 4/ Private Sector Relations was a part of the Office of Volunteer Support from 11/1/93 through 9/30/94 on-y. Otherwise it has been a part of Policy and Direction. Resources for all fiscal years are displayed in Policy and Direction on this chart.
- 5/ The Office of Volunteer Support (OVS) was created on November 1, 1993. All resources for FY 1994 for OVS's component offices are shown in this chart in OVS. In FY 1994 through 10/31/93, Medical Services, Volunteer Services, and FECA were part of the Office of Management. During the same time period, Domestic Programs were part of Policy and Direction.
- 6/ Starting on 4/3/94 salaries and benefits for the Office of Medical Services have been charged to that office and no longer to the Office of Volunteer Services.
- 7/ FY 1994 unobligated balance estimated.

## BUDGET ACTIVITIES

### International Operations

Peace Corps' International Operations are divided into four regions: Africa, Asia and the Pacific, Europe, Central Asia and Mediterranean, and Inter-America.

Resources for each of the International Regions are divided into the following major activities. Each activity includes costs borne both overseas and at headquarters.

#### Program Support:

Program Support costs include the costs of regional staff salaries, benefits, travel (for both American and host country staff), rents, utilities, equipment, supplies, and contractual costs related to the administration of our overseas program.

#### Direct Volunteer Support:

This includes the costs required for direct support to Volunteers overseas. Among these costs are:

- **Travel:** For Volunteers from their home to their country assignment and return travel at the end of their two-year tour.
- **Living Allowance:** The monthly stipend provided directly to Volunteers for their subsistence.
- **Settling-in Allowance:** Assists Volunteers in setting up their new households.
- **Readjustment Allowance:** An allowance of \$200 per month of service provided to Volunteers upon completion of Peace Corps Service to assist them in their re-entry to life in the United States. The level of the readjustment allowance was last increased in January of 1988.
- **Medical Costs:** Direct costs related to supporting the medical needs of Volunteers including the costs of in-country medical contractors, medical supplies, and medical equipment.

#### In-Service Training:

Training is conducted during the Volunteer's service to increase the job effectiveness and job satisfaction of each Volunteer in the field. These programs are designed to address the needs of specific Volunteer assignments and may include language and technical skill training, and safety and security issues.

#### Pre-Service Training:

Volunteers receive training before beginning their actual Volunteer Service through Staging and Pre-Service Training instruction.

- **Staging:** Before leaving for their overseas assignments, Volunteers participate in a thorough orientation program, where essential administrative, medical, and training activities are conducted.
- **Pre-Service Training:** Before qualifying to serve as a Volunteer, trainees must participate in pre-service training, which includes intensive language instruction, cultural information, technical skill enhancement, and training in personal health and safety. This training lasts, on the average, ten to twelve weeks. Upon completion, Volunteers must demonstrate their ability to participate effectively in their assigned projects.

## Other Volunteer Support

### Policy and Direction:

This program includes costs which support the decision and policy making arm of the Peace Corps. Resources support, among others, the Office of the Director, General Counsel, Congressional Relations, Communications, Equal Employment Opportunity, Private Sector Relations, and Planning, Policy, and Analysis.

### Volunteer Recruitment and Selection:

The Office of Volunteer Recruitment and Selection develops and executes Peace Corps' recruitment campaigns that are responsible for attracting and placing Volunteers overseas. This office reviews the technical and personal skills of applicants to carefully assess and match the most qualified persons to specific Volunteer assignments. Applicants go through a multi-faceted screening process that includes being interviewed, evaluated, having references checked, and being placed in assignments addressing specific host country needs.

### Training and Program Support:

The Office of Training and Program Support (OTAPS) provides Volunteers with guidance in planning and achieving their specific program goals. OTAPS also ensures that Volunteers have the latest technical information available to assist them in their assignments. OTAPS administers the United Nations Volunteer program.

### Volunteer Support:

The Office of Volunteer Support includes medical and special services for Volunteers. Returned Volunteer Services, Peace Corps Fellows/USA Program, and World Wise Schools are also supervised by this Office.

### Management:

Peace Corps' Office of Management provides administrative support for headquarters, field, and international operations. Through its offices of Human Resource Management, Administrative Services, Information Resources Management, and Contracts and Procurement, the Office of Management ensures that equipment, vehicles, supplies, and other necessary services (such as travel arrangements, passports, and visas for staff and Volunteers) are provided where needed.

### Planning, Budget, and Finance:

The Office of Planning, Budget, and Finance maintains the financial planning and internal controls necessary to ensure that Peace Corps operates in a fiscally sound manner.

### Inspector General:

The Office of the Inspector General is charged with reviewing Peace Corps' processes and procedures to ensure their economy, effectiveness, and efficiency.

## BUDGET ACTIVITIES

## Peace Corps Authorizations and Appropriations

FY 1962 - FY 1996

(in thousands of dollars)

Fiscal Year	Budget Authorized	Request	Appropriated	a/	Trainee Input	Avg. No. of Volunteers	b/
1962	\$40,000	\$40,000	\$30,000		3,699	3,599	
1963	63,750	63,750	59,000		4,969	6,634	
1964	102,000	108,000	95,964		7,720	10,494	
1965	115,000	115,000	104,100		7,876	12,892	
1966	115,000	125,200	114,000		9,216	Not Available	
1967	110,000	110,500	110,000		7,565	Not Available	
1968	115,700	124,400	107,500		7,391	Not Available	
1969	112,800	112,800	102,000		6,243	Not Available	
1970	98,450	109,800	98,450		4,637	Not Available	
1971	94,500	98,800	90,000		4,686	Not Available	
1972	77,200	71,200	72,500		3,997	6,632	
1973	88,027	88,027	81,000		4,821	6,194	
1974	77,000	77,000	77,000		4,886	6,489	
1975	82,256	82,256	77,687		3,296	6,652	
1976	88,468	80,826	81,266		3,291	5,825	
Transition Qtr	27,887	25,729	24,190		—	—	
1977	81,000	67,155	80,000		4,180	5,590	c/
1978	87,544	74,800	86,234		3,715	6,017	
1979	112,424	95,135	99,179		3,327	5,723	
1980	105,000	105,404	99,924		3,108	5,097	
1981	118,531	118,800	105,531		2,729	4,863	
1982	105,000	121,900	105,000		2,862	4,559	
1983	105,000	97,500	109,000		2,988	4,668	
1984	115,000	108,500	115,000		2,781	4,779	
1984/5 Supp	2,000	2,000	2,000		—	—	
1985	128,600	115,000	128,600		3,430	4,828	
1986	130,000	124,400	124,410	d/	2,597	5,162	
1987	137,200	126,200	130,760		2,774	4,771	
1987/8 Supp	7,200	—	7,200		—	—	
1988	146,200	130,682	146,200		3,360	4,611	
1989	153,500	150,000	153,500		3,218	5,214	
1990	165,649	163,614	165,649	e/	3,092	5,241	
1991	186,000	181,061	186,000		3,076	4,691	
1992	—	200,000	197,044	f/	3,309	4,927	
1993	218,146	218,146	218,146	f/	3,590	5,414	
1994	219,745	219,745	219,745	f/h/	3,541	5,644	
1995	234,000	226,000	219,745	f/i/	3,904	6,313	est.
1996		234,000			3,727	6,470	est.

a/ Includes reappropriated funds in 1963 (\$3.864 million), 1964 (\$17 million) and 1965 (\$12.1 million).

b/ 1962-1965 Volunteer-years unavailable. Figures for FY62-65 represent number of Volunteers. Volunteer-years include UNVs (as does Trainee Input).

c/ Includes Trainee Input from Transition Quarter.

d/ Excludes \$5.59 million sequestered under the Balanced Budget and Emergency Deficit Control Act of 1965 (P.L. 99-177).

e/ Excludes \$2.24 million sequestered under the Balanced Budget and Emergency Deficit Control Act of 1965 (P.L. 99-177) and a \$725 thousand reduction related to the Drug Initiative (P.L. 101-167).

f/ Funds to remain available for two years.

g/ Authorization included report language of a \$15 million transfer to Peace Corps from assistance funds for the Newly Independent States (NIS).

h/ In addition Peace Corps received a transfer of \$12.5 million for assistance to the NIS.

i/ In addition Peace Corps expects a transfer of \$11.6 million for assistance to the NIS.

## Volunteer Profile (FY 1994)

**Women: 53%**  
**Men: 47%**  
**Minorities: 12%**  
**Average age: 30**  
**Volunteers age 50 and over: 8%**  
**Oldest Volunteer: 81 years**

**From Coast to Coast...  
 Serving Peace Corps**

States .....	Today .....	Since '61 .....
Alabama .....	36 .....	755
Alaska .....	26 .....	204
Arizona .....	83 .....	1,019
Arkansas .....	20 .....	1,085
California .....	811 .....	19,231
Colorado .....	202 .....	4,967
Connecticut .....	112 .....	1,557
Canal Zone .....	0 .....	7
Delaware .....	15 .....	323
District of Columbia .....	15 .....	1,075
Florida .....	219 .....	2,997
Georgia .....	86 .....	1,233
Guam .....	0 .....	10
Hawaii .....	16 .....	311
Idaho .....	26 .....	644
Illinois .....	283 .....	6,916
Indiana .....	100 .....	2,489
Iowa .....	94 .....	1,136
Kansas .....	81 .....	691
Kentucky .....	59 .....	923
Louisiana .....	39 .....	702
Maine .....	50 .....	914
Maryland .....	149 .....	2,533
Massachusetts .....	247 .....	6,093
Michigan .....	228 .....	5,704
Minnesota .....	216 .....	4,475
Mississippi .....	20 .....	320
Missouri .....	105 .....	2,569

State .....	Today .....	Since '61 .....
Montana .....	36 .....	569
Nebraska .....	53 .....	1,044
Nevada .....	22 .....	231
New Hampshire .....	55 .....	939
New Jersey .....	153 .....	4,207
New Mexico .....	57 .....	820
New York .....	387 .....	12,184
North Carolina .....	98 .....	1,633
North Dakota .....	17 .....	551
Ohio .....	277 .....	5,690
Oklahoma .....	45 .....	949
Oregon .....	166 .....	3,129
Pennsylvania .....	255 .....	6,192
Puerto Rico .....	21 .....	326
Rhode Island .....	43 .....	688
South Carolina .....	47 .....	606
South Dakota .....	18 .....	557
Tennessee .....	63 .....	517
Texas .....	224 .....	2,064
Utah .....	36 .....	622
Vermont .....	46 .....	726
Virginia .....	166 .....	2,482
Virgin Islands .....	1 .....	32
Washington .....	260 .....	4,523
West Virginia .....	10 .....	425
Wisconsin .....	225 .....	4,216
Wyoming .....	13 .....	273

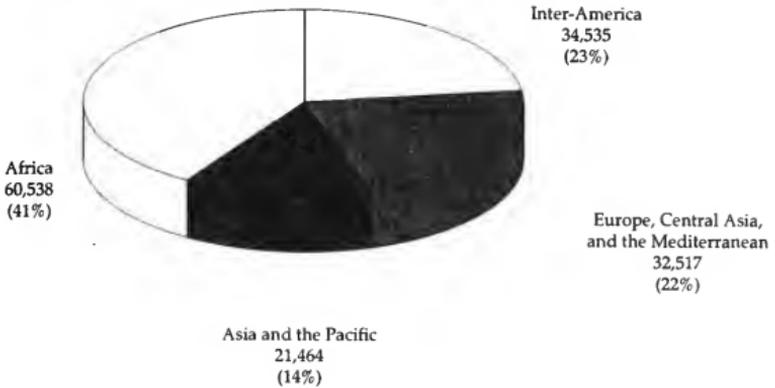
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## GENERAL STATEMENT

## COUNTRIES SERVED

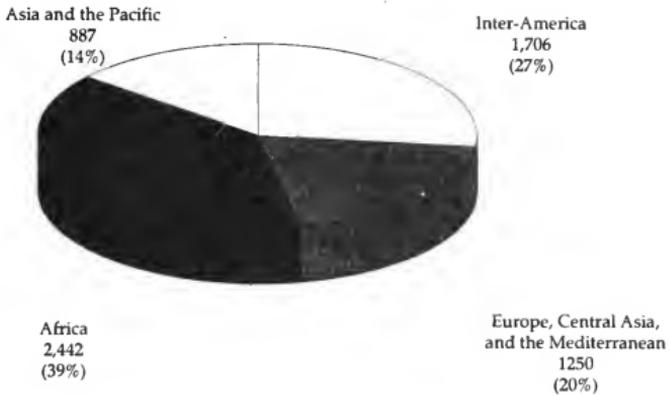
By the end of FY95, approximately 7,100 Peace Corps Volunteers and trainees will be serving in 94 countries in Asia, the Pacific, Africa, the Middle East, Central and South America, the Caribbean, Central and Eastern Europe and the former Soviet Union.

## International Operations—FY 1995 (\$000)

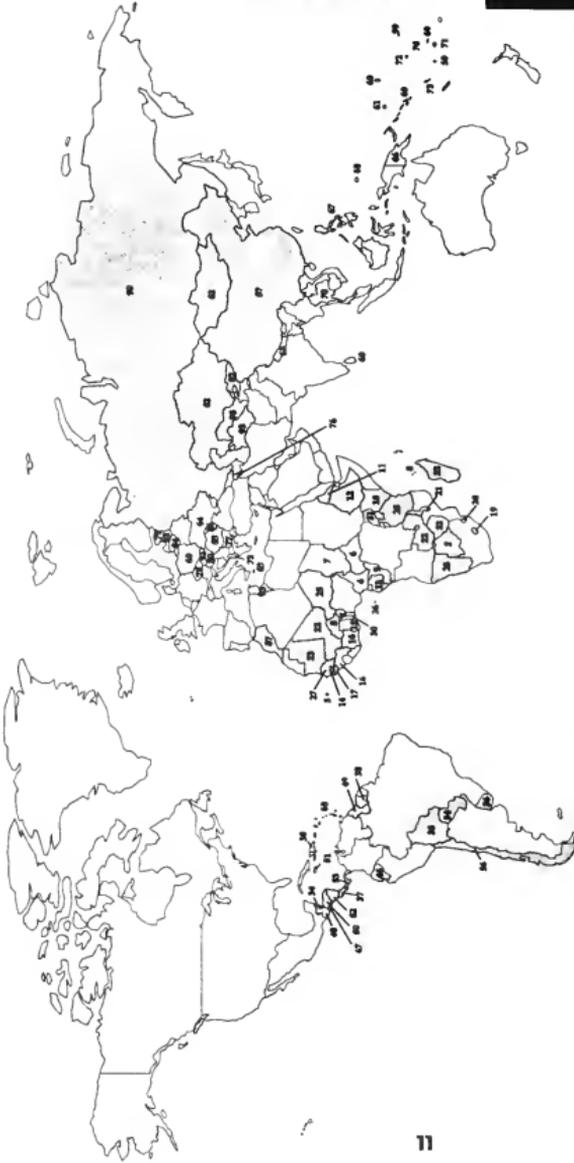


## Average Number of Volunteers FY 1995

(does not include United Nations Volunteers)



## COUNTRIES SERVED



## GENERAL STATEMENT

- AFRICA**  
 Benin—1  
 Burkina Faso—3  
 Cameroon—4  
 Cape Verde—5  
 Chad—7  
 Cote d'Ivoire—8  
 Congo—9  
 Ethiopia—10  
 Ethiopia—12  
 Gabon—13  
 The Gambia—14
- ASIA/PACIFIC**  
 Bangladesh—17  
 Kenya—18  
 Madagascar—20  
 Maldives—21  
 Maldives—22  
 Marshall Islands—23  
 Mauritius—24  
 Nepal—25  
 Pakistan—26  
 Philippines—27  
 Sri Lanka—29  
 Thailand—30  
 Timor—31  
 Tonga—32  
 Zimbabwe—33
- EUROPE, CENTRAL ASIA & MEDITERRANEAN**  
 Albania—41  
 Armenia—42  
 Azerbaijan—43  
 Bulgaria—44  
 Georgia—45  
 Greece—46  
 Hungary—47  
 Italy—48  
 Jordan—49  
 Kyrgyz Republic—50  
 Lebanon—51  
 Lithuania—52  
 Moldova—53  
 Montenegro—54  
 North Macedonia—55  
 Romania—56  
 Russia—57  
 Serbia—58  
 Slovakia—59  
 Slovenia—60  
 Turkey—61  
 Ukraine—62  
 Uzbekistan—63
- AMERICA**  
 Argentina—64  
 Bolivia—65  
 Brazil—66  
 Chile—67  
 Colombia—68  
 Costa Rica—69  
 Cuba—70  
 Dominican Republic—71  
 Ecuador—72  
 El Salvador—73  
 Guatemala—74  
 Haiti—75  
 Honduras—76  
 Jamaica—77  
 Mexico—78  
 Nicaragua—79  
 Panama—80  
 Paraguay—81  
 Peru—82  
 Uruguay—83
- OCEANIA**  
 Fiji—84  
 Kiribati—85  
 Marshall Islands—86  
 Micronesia—87  
 Nauru—88  
 New Zealand—89  
 Palau—90  
 Papua New Guinea—91  
 Philippines—92  
 Samoa—93  
 Solomon Islands—94  
 Tonga—95

## GENERAL STATEMENT

## VOLUNTEER ACTIVITIES

The primary focus of Peace Corps has always been the Volunteers and their work in the field. Volunteers around the world are providing direct, people-to-people assistance at the grassroots level. They work on problems identified by the host countries and design their individual workplans in cooperation with the local community.

**Agriculture**

Rapid population growth and declines in crop production due to environmental and man-made problems are placing continuing pressures on food supplies in many parts of the developing world. Most people in developing countries, however, still practice subsistence farming, and often employ "slash and burn" techniques that harm the environment and curtail future production capabilities. Peace Corps Volunteers are working with thousands of farmers in every region to advance new, sustainable farming techniques that will increase food production and avoid environmental degradation.

(End of FY 1994)	Africa	Inter-America	ECAM	AsiaPacific	Total
Number of Volunteers & Trainees	307	349	12	73	741
Number of Peace Corps Posts	15	9	1	6	31
Number of Projects	18	21	1	11	51

**Economic Development**

Although Peace Corps Volunteers have long been part of international efforts to encourage economic development in the world's poorest countries, they are assuming an even larger role in promoting the development of small businesses as one path to economic growth. Working with entrepreneurs, trade associations, community leaders, and local governments, Volunteers are providing advice and training in business management, marketing, credit analysis, privatization, and commercial banking to support free market policies in the countries where they serve.

(End of FY 1994)	Africa	Inter-America	ECAM	AsiaPacific	Total
Number of Volunteers & Trainees	179	332	419	69	999
Number of Peace Corps Posts	12	13	15	10	50
Number of Projects	12	16	15	12	55

### Education

One of Peace Corps' fundamental tenets is that education is critical to successful development. Some 40% of all Volunteers work in education, and they provide important education services at every level of society. Peace Corps Volunteers make up the world's largest source of teachers of English as a foreign language. They teach mathematics, science, and business education in many countries where students would otherwise be unable to learn these important skills. Volunteers also work in special, vocational and non-formal education activities for adults, and they play a vital role in training teachers in new methodologies and curricula. Finally, many Volunteers have succeeded in helping community schools acquire modern teaching materials for classrooms and books for new libraries.

(End of FY 1994)	Africa	Inter-America	ECAM	AsiaPacific	Total
Number of Volunteers & Trainees	960	305	796	558	2,619
Number of Peace Corps Posts	26	9	20	14	69
Number of Projects	44	31	23	35	133

### Environment

In recent years, Peace Corps Volunteers have assumed an important role supporting national and community-based efforts to protect fragile environmental regions, conserve natural resources, and expand environmental education. Peace Corps' 1,000 Volunteers working on environmental projects around the world constitute one of the largest environmental work forces of any international development organization. Volunteers are also providing developing countries and new governments in the former Soviet Union with advice and expertise in overcoming years of environmental neglect and resource depletion.

(End of FY 1994)	Africa	Inter-America	ECAM	AsiaPacific	Total
Number of Volunteers & Trainees	367	495	86	114	1,062
Number of Peace Corps Posts	20	16	5	5	46
Number of Projects	23	24	7	8	62

## GENERAL STATEMENT

## VOLUNTEER ACTIVITIES

## Health

Peace Corps Volunteers continue to provide a wide range of primary health care services to many of the world's poorest communities, where regular access to health care is often inadequate or non-existent. Volunteers serve as health care specialists in a variety of critical fields, such as prenatal and postnatal care for infants and mothers, nutrition, child immunization, Guinea worm eradication, HIV/AIDS education and prevention, and sanitation projects.

(End of FY 1994)	Africa	Inter-America	ECAM	AsiaPacific	Total
Number of Volunteers & Trainees	537	362	52	115	1,066
Number of Peace Corps Posts	24	10	2	6	42
Number of Projects	31	22	3	15	71

## Urban Development

Many developing countries face mounting challenges associated with rapid urbanization, such as increasing demands for basic services, sanitation, pollution, drainage control, and housing for new residents. Volunteers lend much needed expertise on these and other urban development issues.

(End of FY 1994)	Africa	Inter-America	ECAM	AsiaPacific	Total
Number of Volunteers & Trainees	52	97	37	19	205
Number of Peace Corps Posts	4	5	2	2	13
Number of Projects	4	11	2	4	21

**Areas of Special Emphasis: Women in Development and Youth Development**

Throughout its history in the developing world, Peace Corps has recognized the critical role that women play in economic production and family support. The integration of women into the development process remains a high priority for Peace Corps, and is a constant theme in the Agency's project planning and implementation. Volunteers actively work to promote the integration of women into the economic and social development processes of their own countries.

More than 50% of the developing world's population is under the age of 24. The social, economic, and political implications of this demographic are staggering for many countries where Volunteers serve. While Peace Corps projects in education, child survival, and agriculture have been of direct benefit to young people throughout the developing world, the Agency decided in 1991 to initiate three pilot projects targeted specifically at youth development. In Belize, Namibia, and Tunisia, Volunteers are helping government and non-governmental organizations develop programs for job training, sports, health, and community service for youth at risk. These pilot projects will eventually serve as models for Volunteers working in other countries.

## GENERAL STATEMENT

**Partnerships With Other Agencies**

Peace Corps enters into partnerships with other federal agencies and private voluntary organizations, when appropriate, to help ensure that foreign assistance funds are used in the most efficient manner and reach the maximum number of people at the grassroots level. With their language skills, two-year commitment, and personal ties to the communities they serve, Volunteers can help maximize the financial and technical impact of other development organizations.

Peace Corps and the *Agency for International Development* (A.I.D.) have collaborated on a series of beneficial environment, health, and economic development projects around the world. These projects have been conducted at the community, national, and regional levels. A.I.D. support has also been critical to Volunteers who provide specific technical training to large numbers of individuals in countries where they serve.

The *National Park Service*, the *U.S. Forest Service* and the *Environmental Protection Agency* have provided technical support to Peace Corps on a variety of environmental projects. The *Centers for Disease Control* also has given Peace Corps technical advice on child survival, maternal health, and immunization projects.

Peace Corps and the Farmer to Farmer program have a long-standing relationship that has proved very beneficial to Volunteer projects designed to improve agricultural economies. Experts in the Farmer to Farmer program have advised Volunteers and their communities on a range of agricultural issues, including livestock management, modernization of irrigation systems, and agribusiness development.

In recent years, requests for Peace Corps' assistance in disaster relief work have increased. In collaboration with A.I.D.'s Office of Foreign Disaster Assistance, Volunteers worked to alleviate problems caused by devastating drought in southern Africa in 1992. They helped communities in Lesotho, Malawi, and Swaziland build water catchment systems and provided technical and logistical assistance to Namibia's Water Service Department. In the aftermath of the humanitarian disaster in Rwanda in 1994, a small group of third year Volunteers worked under the auspices of the *International Rescue Committee* (IRC) to help Rwandan refugees in Tanzania. Volunteers provided advice and assistance on health education, water systems construction and maintenance and basic environmental protection practices like tree planting. Peace Corps and the IRC have now signed a Memorandum of Understanding that provides a framework for continued cooperation on refugee relief.

### How America Benefits from Peace Corps

While the Peace Corps experience is primarily identified with Volunteers serving in communities overseas, America also reaps important benefits when Volunteers return home. Since 1961, more than 140,000 Americans have served as Volunteers in 128 countries. These returned Volunteers bring back a wealth of knowledge and expertise about foreign countries and cultures, as well as language and cross cultural skills that are increasingly important to American prosperity in the expanding global marketplace. Returned Volunteers also have assumed leadership roles in every level of government, private business and industry, education, and the arts, while strengthening America's understanding of other countries and cultures in their own communities. The Office of Domestic Programs coordinates the programs that allow Peace Corps Volunteers to maximize the dividends they bring to America.

### Peace Corps Fellows

The Peace Corps Fellows program is a unique public-private partnership that brings together the talents and resources of returned Volunteers, institutions of higher education, local governments, community agencies, foundations, and corporate supporters. Its purpose is to allow Volunteers to build upon their service overseas in ways that directly benefit the American people.

Twenty-six universities across the United States currently offer scholarships or reduced tuition, financed by the private sector, to more than 300 Peace Corps Fellows—returned Volunteers who are enrolled in a variety of master's degree programs. In return, the Peace Corps Fellows make two-year commitments to teach in hard-to-staff schools or work in business development, social work, public health, or community development programs while they complete their university studies.

About 700 returned Peace Corps Volunteers have directly served over 50,000 students and community members since the program began in 1985. Participating universities strengthen their involvement with needy communities and enhance the quality of their education programs by enrolling returned Volunteers who bring new and enriching perspectives to their studies.

Local school districts, housing authorities, health clinics, and other agencies that employ Peace Corps Fellows fill demanding positions that require the special qualities returned Volunteers can offer—adaptability, resourcefulness, dedication to service, language, and cross-cultural skills. Corporations, foundations and other private sector supporters are supporting an efficient program which creates a better prepared workforce and improves the quality of life for their local communities.

## GENERAL STATEMENT

## DOMESTIC PROGRAMS

## FY 1995 Peace Corps Fellows Programs

State	University	Fellows	State Agency
AL	University of Alabama-Birmingham	10	Urban and Rural Health Service Agencies
AZ	Northern Arizona University	17	Native American Reservation Schools
CA	Loyola Marymount University	3	Los Angeles Public Housing Authorities
CA	Pacific Oaks College	1	Los Angeles Public School District
CA	San Francisco State University	13	San Francisco Public School District
CA	University of Southern California	8	Los Angeles Public School District
DC	George Washington University	21	D.C. and Prince Georges Public Schools
FL	Florida International University	11	Dade County Public Schools
GA	Georgia College	5	Rural Georgia Public School Districts
IL	DePaul University	19	Chicago Public School District
IL	Illinois State University	3	Rural Illinois Communities
IL	Western Illinois University	4	Rural Illinois Communities
KS	Wichita State University	7	Wichita Public School District
MA	Boston University	5	Massachusetts Public Housing Authorities
MD	Johns Hopkins University	17	Baltimore Community Health Agencies
MD	University of Maryland—Towson State	21	Baltimore City Public School District
MI	Michigan State University	1	Lansing Public Housing Commission
MI	University of Michigan	21	Detroit Public School District
MS	University of Southern Mississippi	10	Rural Mississippi School Districts
NM	University of New Mexico	12	Gallup-McKinley School District
NY	Teachers College, Columbia University	64	New York City Public School District
OR	University of Oregon ( <i>currently recruiting</i> )	-	Rural Oregon Communities
PA	Temple University	12	Philadelphia Public School District
SC	University of South Carolina ( <i>currently recruiting</i> )	-	South Carolina Human Services Agencies
TX	University of Texas at El Paso	21	El Paso Area School Districts
TX	University of Texas at San Antonio	4	San Antonio Public School District

### World Wise Schools

Since its creation in 1989, Peace Corps' World Wise Schools program has made important contributions to the education of young American students about geography and other cultures, while providing them with positive adult role models who are actively engaged in community service overseas.

Like many successful Peace Corps programs, the basic concept is simple and cost-effective: during their overseas service, Volunteers share their experiences in other countries directly with students in classrooms here in the United States through exchanges of letters. The educational value of the student/Volunteer correspondence is further enhanced by videotapes and study guides on the geography and culture of countries in which Volunteers serve, and by classroom visits of returned Volunteers.

Over the last five years, nearly 300,000 students in 50 states have communicated directly with Volunteers serving in nearly 100 countries around the world. Countless other students have also benefited from the program through the broadcast of World Wise School videotapes by educational television networks and the Learning Channel. More than 6,000 returned Volunteers are also now enrolled in the program to contribute their time and energy through classroom presentations.

The World Wise Schools program intends to strengthen its contribution to America's classrooms by introducing an electronic bulletin board service that provides information about Peace Corps and the countries where Volunteers work, and which will be accessible to any school with on-line capabilities.

### Returned Volunteer Services

Returned Volunteer Services provides assistance, advice, and support to Volunteers when they return to the United States from their overseas service. Peace Corps' headquarters in Washington maintains a career information center and publishes a job bulletin which helps to establish contacts between American employers and skilled, experienced returned Volunteers.

Returned Volunteer Services is also Peace Corps' permanent link to the growing community of former Volunteers. Working with the National Peace Corps Association and many local returned Volunteer organizations, Peace Corps strives to maintain close connections with former Volunteers and draw upon their energy and expertise to benefit communities across the country.

### Office of Private Sector Relations

Through programs managed by the Office of Private Sector Relations, American citizens have an opportunity to provide charitable assistance to overseas communities in which Peace Corps Volunteers serve. By linking with Volunteers in the field, donors have the satisfaction of knowing that their help gets directly to the communities that need it.

In FY 1994, over 350 donor groups supported the projects of some 1,500 Volunteers in 82 countries. Donations come in a variety of shapes and sizes. They include corporate donations of computers and textbooks for business programs in the former Soviet Union, church group donations to support well construction in Asia, scout troop contributions for school construction projects in Africa, and assistance from deaf university students to produce the first Mongolian sign language dictionary. Private sector donors are also the principal source of support for the Peace Corps Fellows program which offers tuition benefits to former Volunteers in return for service in needy communities here at home.

## Regional Overview

Perhaps no other region in the world faces more problems, but holds as many opportunities for its people, than sub-Saharan Africa. Drained by decades of civil war, economic mismanagement, ethnic strife, dictatorship, and exploitation, the nations and people of sub-Saharan Africa are long overdue for a social, political, and economic renaissance.

Events and changing conditions throughout Africa in recent years give cause for hope. Multi-party elections are spreading slowly across the continent. New democracies are struggling to take hold in South Africa, Ethiopia, Eritrea, Cote d'Ivoire, Zambia, and Malawi. The deadly civil war in Mozambique has ended, and 88% of its people—many of whom had to cross minefields to reach polling booths—cast ballots in the country's first free and fair elections in October 1994.

Some 30 African nations are now pursuing free market policies. Ghana, Zambia, and Zimbabwe are showing signs that often painful economic reforms can lead to economic growth. Many governments are decentralizing, reducing their bureaucracies, and handing over more responsibility to individuals and non-governmental organizations. These are important steps that lay the foundation for strengthening democratic institutions and



*Melanie Kwan, a Volunteer in Senegal, teaches local children about the importance of boiling their drinking water.*

allowing ordinary Africans across the continent to take charge of their own development and local affairs.

Although these changes hold great promise for the people of Africa, the continent still faces unparalleled challenges. Most Africans today are poorer than they were 30 years ago. The continent is burdened by \$180 billion in debt. More than a dozen African countries are plagued by some form of civil conflict. Six million refugees, 17 million displaced persons, and a rapidly expanding population are placing intolerable strains on already over-burdened governments.

Moreover, only a small percentage of Africans have access to basic health care. Thousands of children die each year from diseases or conditions, such as diarrhea, malaria, and malnutrition, that are easily curable or preventable. HIV/AIDS cases have reached epidemic proportions in more than a dozen countries. Environmental degradation, desertification, and drought threaten to destroy many of southern Africa's agricultural capacities.

Peace Corps has a long and positive history in Africa, and remains dedicated to alleviating, at the grassroots level, many of the social and economic problems that Africans still confront. Peace Corps' presence is strongly supported by each of the 33 African countries where Volunteers will serve in FY 1996.

## Sector Summaries

### Agriculture

Increasing Africa's agricultural output is one of the continent's biggest challenges. Volunteers are working with thousands of farmers in more than two dozen countries in Africa to promote sustainable farming practices and a greater degree of self-sufficiency in food production. In Mali and Niger, Volunteers are actively participating in the region's Africa Food Systems Initiative. They work closely with individual farmers, village groups, and local institutions to implement an integrated approach to agriculture that focuses on water resource development, gardening, animal husbandry, agro-forestry, and rural cooperative projects.

Volunteers in Gabon, Cameroon, and the Congo are teaching farmers how to increase their family incomes and produce animal protein for dietary intake through small-scale, intensive, freshwater fish farming. In the Central African Republic, The Gambia, and Guinea Bissau, Volunteers are working with local residents to improve small animal raising techniques, educate primary school students about gardening, decrease the negative effects of farming on the environment, and increase the quality and quantity of available foods.

### Economic Development

Volunteers are working to expand the small business sector in 11 African countries. The majority of Volunteers work at the micro-enterprise level, offering business advisory services to individual entrepreneurs, as well as to financial institutions and small business support agencies. This assistance often includes training in credit management and basic business and accounting skills to both individuals and organizational staff. In addition, some Volunteers assess credit availability and develop credit unions and/or revolving loan funds for small entrepreneurs. With Volunteer assistance and support, more African women are participating in, and benefiting from, small enterprise development projects. For example, a Volunteer in Mauritania has organized a women's cooperative that is producing and marketing fencing on a sustained and profitable basis.

### Education

Education remains the Africa region's largest programming sector, accounting for almost 40% of the region's Volunteers. Many African countries are seeking to expand English education programs for students and entrepreneurs in order to compete in the international marketplace. "Peace Corps" efforts to improve the quality of, and access to, education in Africa is playing a critical role in the continent's future.

Last year, Volunteers taught English, math, and science to thousands of young African students. They play crucial roles in strengthening local education institutions and introducing modern teaching techniques to African teachers and administrators. Volunteers continue to collaborate with local and national governments on projects aimed at strengthening programs in special education and industrial arts, as well as promoting quality teaching and educational equity for girls and women. Volunteers are achieving these important goals through direct classroom instruction, primary and secondary school teacher training, professional collaboration, and development and acquisition of educational materials.

In The Gambia, Uganda, Mali, and Lesotho, Volunteers are establishing teacher training resource centers and developing training programs. Volunteers in Guinea Bissau worked with the Ministry of Education to design a secondary English curriculum and have produced a new textbook for the secondary school system. In Cameroon, Volunteers and their local counterparts are evaluating a new syllabus in English for teaching HIV/AIDS prevention. In Gabon, Volunteers and representatives from the Department for the Advancement of Women have set up a scholarship program for girls.

## Environment

Protecting fragile environments, preserving biodiversity, and supporting local efforts to attract tourists are some of the major goals of Peace Corps' environmental projects in Africa. Volunteers are participating in a range of activities to strengthen community conservation efforts, reforestation, and land reclamation, as well as in the establishment of tree seedling nurseries and watershed resource development. Volunteers in Malawi, Uganda, and Madagascar teach management skills to workers in national parks, game reserves, and nurseries. In Botswana, Volunteers will work with park ranger counterparts over the next four years to develop interpretive facilities, exhibits, and displays in seven reserves throughout the country.

Across Africa, Volunteers are introducing new techniques to farmers and community groups that are less damaging to the environment. Volunteer activities in environmental education are expanding and becoming increasingly integrated in all sector projects. Math and science Volunteer teachers in Benin are incorporating environmental problem-solving into their lesson plans. In the Comoros Islands, Volunteers have assisted in the organization of a local network of environmental action clubs.

## Health

Expanding access to basic health care for the continent's poorest citizens has been one of Peace Corps' most important contributions in Africa. Volunteers conduct child immunization programs, offer pre-natal care and advice to mothers, and promote improvements in the nutritional content of local diets. Child survival projects focus on growth monitoring, oral rehydration therapy, and malnutrition. Since 1990, Volunteers have been participating in Guinea worm eradication activities in 11 African countries where the disease is endemic. They conduct case studies, improve water sources, develop new water and sanitation projects, and promote community health education.

Peace Corps is joining other international efforts to stem the spread of HIV / AIDS in Africa, one of the continent's most serious public health concerns. In Malawi, for example, Volunteers help train health workers in health education techniques and counseling skills to increase the number of HIV / AIDS education programs in health care facilities, communities, and schools.

## Urban Development

Security problems in large urban areas continue to hinder Peace Corps' programming efforts in many of Africa's major cities. Therefore, the Africa region is meeting host country requests to address the problems of the urban poor by assigning Volunteers to work in projects based in secondary cities and towns. In Kenya, Malawi, and Cote d'Ivoire, Volunteers are providing technical assistance and training in municipal management and planning for local governments. Their activities include establishing neighborhood-based potable water supply and waste management systems, improving waste collection services, increasing access to health and social services for low-income urban residents and those living in squatter areas, and developing community programs for at-risk youth. Influenced by the Cote d'Ivoire model project, Volunteers in Chad and Cape Verde will soon undertake similar activities to improve municipal management and planning as well as water and sanitation in urban areas.



## Africa Region

	Trainees			Average Number of Volunteers			Program Funds (\$000)		
	FY '94	FY '95	FY '96	FY '94	FY '95	FY '96	FY '94	FY '95	FY '96
Benin	32	38	39	73	73	72	1,848	1,581	1,621
Botswana	61	60	61	81	138	138	2,770	3,118	3,363
Burkina Faso	0	29	29	0	6	27	0	1,050	1,548
Burundi	0	0	0	0	0	0	180	0	0
Cameroon	59	74	42	129	125	100	3,268	2,713	1,970
Cape Verde	12	19	19	23	27	29	1,030	1,103	1,164
Central African Rep.	45	38	38	35	60	63	1,810	1,679	1,850
Chad	31	29	29	42	53	55	1,603	1,382	1,488
Comoros	17	16	16	18	23	28	777	622	735
Congo	27	24	24	7	27	39	847	678	1,088
Cote d'Ivoire	0	48	48	55	66	85	1,250	1,564	1,823
Eritrea	0	19	19	0	5	16	277	1,004	1,215
Ethiopia	0	19	19	0	5	16	0	978	1,385
Gabon	68	56	57	103	116	121	3,377	2,853	3,053
The Gambia	39	37	37	68	74	70	1,604	1,505	1,543
Ghana	68	70	70	103	122	128	2,870	2,605	2,783
Guinea	55	52	51	70	90	84	2,273	2,156	2,156
Guinea Bissau	22	19	19	35	38	32	1,297	1,257	1,192
Kenya	75	83	83	161	181	140	3,043	2,903	2,777
Lesotho	53	63	63	111	108	101	2,659	2,593	2,641
Madagascar	22	23	23	6	33	39	968	1,041	1,256
Malawi	46	63	63	98	96	93	1,852	1,857	2,008
Mali	95	92	92	137	179	163	4,139	3,342	3,555
Mauritania	22	19	19	49	42	32	1,613	1,329	1,199
Namibia	63	66	73	72	92	106	2,239	2,265	2,631
Niger	68	69	69	109	132	128	3,087	2,863	2,979
Nigeria	21	0	0	23	19	0	1,047	645	0
Rwanda	0	0	0	0	0	0	109	0	0
Sao Tome	13	13	13	19	23	24	841	618	901
Senegal	68	66	67	129	140	118	3,119	2,851	2,739
Seychelles	6	10	0	9	17	0	414	524	0
Sierra Leone	0	0	0	22	0	0	890	0	0
Swaziland	28	31	31	87	69	49	1,387	1,249	1,294
Tanzania	48	46	46	80	92	92	2,136	2,072	2,175
Togo	48	43	43	44	66	68	2,527	1,937	2,272
Uganda	26	43	43	34	49	65	1,253	1,293	1,499
Zambia	12	21	21	6	21	30	1,101	1,104	1,304
Zimbabwe	23	38	38	46	64	74	1,491	1,705	1,823
<b>TOTAL*</b>	<b>1,263</b>	<b>1,452</b>	<b>1,425</b>	<b>2,060</b>	<b>2,442</b>	<b>2,413</b>	<b>62,794</b>	<b>60,539</b>	<b>63,020</b>

\*Detail may not add due to rounding.

## AFRICA

## BENIN

Population: 5,194,000  
 Annual Per Capita Income: \$420  
 Number of Years Peace Corps in Country: 28

**Peace Corps Country Overview:**

Although Benin has recently experienced a peaceful transition to democratic rule and modest economic development, it continues to face numerous challenges and hardships in a number of important areas. Sixty-five percent of the rural population lives in absolute poverty. Only 25% of all adults are literate. There are 1.5 million Beninese without access to basic health services; and 70% of the population relies on deteriorating land for their agricultural production and subsequent income. Volunteers work with their communities to address these health, education and environmental issues, placing special emphasis on women, children and disadvantaged people.

**Resources:**

Benin	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	32	39	39
Average # of Volunteers	73	73	72
Program Funds (\$000)	1,848	1,581	1,621

**Peace Corps Program by Sector:****Economic Development**

Volunteers in this project are assigned to social centers throughout Benin. They work closely with their Beninese counterparts to promote maternal and child health care activities as well as agriculture, technology development, and income generation projects. One Volunteer conducted a nutrition and hygiene training session for 27 village women who were responsible for preparing school lunches for local primary and secondary schools. As a result of this training, women serving over 60 students are now alleviating malnutrition in the area by preparing well-balanced meals and by teaching proper nutrition to other members of their communities. Another Volunteer initiated and helped organize a National Special Olympics Committee and the first Special Olympics. Over 30 mentally handicapped children and parents participated in this successful project.

**Education**

Volunteers in this project teach math and physics at the secondary level throughout Benin. A Volunteer math teacher developed a set of math lesson plans for the 11th and 12th grades, while teaching over 450 students. A physics and chemistry teacher designed, built and distributed written plans for electronic experiments made entirely from local materials. Volunteers are also active in other secondary education projects such as school gardening and coaching team sports.

**Environment**

Volunteers establish tree nurseries, monitor village wood lots, and teach land management and forestry techniques to local organizations. With the assistance of a Volunteer, 50 farmers planted superior quality cashew seeds. As a result of these efforts, their cashew plantation is expected to start producing a significant source of income over the next three years.

**Health**

In collaboration with UNICEF and A.I.D., Volunteers work in rural villages to establish local health committees and promote primary health education and sanitation. Eleven Volunteers worked in over 1,700 villages in Benin training more than 400 village and district-level citizens to monitor and educate their peers in Guinea worm eradication. As a result of these training programs, Guinea worm cases were reduced in 1994 by 64% in areas where Volunteers served.

## AFRICA

## BOTSWANA

Population: 1,402,000  
 Annual Per Capita Income: \$2,590  
 Number of Years Peace Corps in Country: 28

**Peace Corps Country Overview:**

Although Botswana has achieved considerable economic growth in recent years, it has not alleviated the structural poverty that is particularly evident in the country's rural areas. To address these problems, Botswana's national development strategy incorporates economic diversification, increased income-generating opportunities, job creation, work force training, and improved educational opportunities at the secondary level. Volunteers are working to support these and other private economic development activities.

**Resources:**

Botswana	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	61	80	81
Average # of Volunteers	81	136	139
Program Funds (\$000)	2,770	3,166	3,363

**Peace Corps Program by Sector:****Economic Development**

Volunteers, working as business advisors, assist small and microenterprises in developing accounting systems, marketing strategies and product lines. Other Volunteers provide advisory services to business and vocational training centers, which are part of the government's strategy to develop skills and business opportunities in rural communities. One Volunteer has trained two Botswanans to conduct and facilitate "Training of Trainers" workshops. As a team, they trained ten extension officers who will, in turn, train interested entrepreneurs in business management skills. Another Volunteer has developed a tannery located in a remote village in the Kalahari Desert. This new project collects and treats animal skins to generate income for the local community.

**Education**

Since 1967, Botswana's national education system has grown rapidly from only nine secondary schools to 195 secondary schools. Volunteers are filling a serious shortage of teaching staff and are providing instruction in English, mathematics, art, design and technology, agriculture, business, and general science. Volunteers are also responsible for establishing and enhancing long-term, school-based projects designed to improve the quality of education. During 1994, 35 school enhancement projects were completed. These projects included the development of libraries, poultry houses, computer laboratories, and HIV/AIDS prevention programs. One Volunteer secured funding for a workshop improvement project at a local school and was able to purchase \$7,000 worth of machinery and tools for the community's use. A second Volunteer organized a library, trained student librarians, established an English resource center, chaired a new guidance and counseling program, and provided computer training to students and teachers.

**Environment**

Botswana's national parks lack sufficient infrastructure, education and exchange programs for visitors, and park management expertise. Volunteers assist in developing park infrastructure that is designed to increase revenues while local counterparts are being trained. Volunteers also work with community leaders to conduct environmental education workshops for secondary schools. One Volunteer developed a visitor center, demarcated nature trails, taught co-workers how to conduct park tours, and successfully developed an environmental education program at the Maun Educational Reserve. Another Volunteer designed an interpretive plan for Chobe National Park and assisted in the preparation of employee job descriptions.

## AFRICA

## BURKINA FASO

Population: 9,830,000

Annual Per Capita Income: \$300

Number of Years Peace Corps in Country: Re-entry FY1995

### Peace Corps Country Overview:

Due to political turmoil, Peace Corps departed Burkina Faso in 1987. It is estimated that only 20% of the population has access to clean drinking water. Health care remains poor (there is only one doctor for every 33,000 Burkinabé). Malaria and malnutrition are endemic in Burkina and is estimated that 86.6% of Burkinabé over the age of 15 are illiterate. Due to past successes and the favorable development climate there, Peace Corps is prepared to re-enter Burkina Faso in 1995.

### Resources:

Burkina Faso	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	0	29	29
Average # of Volunteers	0	8	27
Program Funds (\$000)	0	1,050	1,548

### Peace Corps Program by Sector:

#### Health

The Peace Corps project design team has proposed a Community Health Development Project to support the efforts of the Burkinabé in meeting their basic health needs. Volunteers will work in district areas to strengthen local health management committees and conduct health promotion programs on priority health problems such as childhood communicable diseases, maternal and child health, malaria, HIV/AIDS education, and Guinea worm eradication. Volunteers will develop the planning, budgeting, implementation and evaluation of skills of chief nurses, who will work in local health centers. This will enable these nurses to better organize, manage and support existing village-based health management committees and establish new committees where they do not exist.

Other Volunteers will be working toward equipping members of these committees with the necessary skills to perform health outreach programs in their communities. This will include completing health needs assessments, identifying priority problems, and producing a plan to encourage health promotion activities.

Population: 12,611,000  
 Annual Per Capita Income: \$770  
 Number of Years Peace Corps in Country: 33

### Peace Corps Country Overview

Due to the country's petroleum reserves and diverse agricultural base, Cameroon experienced strong economic growth from 1960 until 1985. But with the drop in world oil prices in 1986, Cameroon's economic development has slowed dramatically. Peace Corps has tailored its programs to meet the priority needs of the country: Education of its youth, environmentally-sound agricultural practices, health promotion, and general improvement in quality of life for rural citizens.

#### Resources:

Cameroon	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	59	74	42
Average # of Volunteers	129	125	100
Program Funds (\$000)	3,268	2,713	1,970

### Peace Corps Program by Sector:

#### Agriculture

Fourteen Volunteers are working with small-scale Cameroonian farmers to promote the intensive production of tilapia, a freshwater fish. The project's long-term goal is to increase the availability of fish in the local diet, to improve the farm-management skills of farmers, and to develop farmer associations that can maintain fish production without assistance. The project integrates aquaculture with other agricultural activities that farmers are already pursuing and relies on appropriate technology.

#### Economic Development

This program addresses the need for communities to organize themselves to solve local problems and thereby improve the quality of life in rural areas. As group-activity coordinators, Volunteers promote community self-help projects which will help increase incomes, improve health care, and increase the capacity of the members to assess and implement solutions to their communities' problems independently. Twenty-seven villagers and community development agents were trained in leadership skills, project design and management.

#### Education

Volunteers teach math, physics, chemistry, and biology to Cameroonian secondary students. Approximately 12,000 students benefit from improved math and science skills annually. The success of Volunteers in this sector can be seen by the increased number of students (about 500) qualifying for higher education every year. The yearly pass rate of students has been improving steadily by about 10%. Moreover, approximately 5% of students taught by Volunteers are pursuing math and science education as a future career. Similarly, about 40

Cameroonian educators learn improved teaching methods and techniques yearly through workshops organized by Volunteers, improved student instructional units, and Volunteer-developed teachers' guides.

Volunteers also focus on improving secondary students' English skills, enhancing Cameroonian educators' teaching skills through seminars and in-service training, and developing teaching materials to meet the particular needs and cultural values of Cameroonian communities. In addition, education Volunteers are involved in other secondary projects such as health education, pre-natal care and nutrition. In some cases, Volunteers have improved their schools' infrastructures by establishing libraries and building additional classrooms. With the cooperation of their Cameroonian counterparts and community leaders, Volunteers identify and carry out complementary development projects in areas such as health and sanitation, environmental education, agriculture and income generation.

Five people in every 100 in Cameroon are HIV positive and many contracted the infection between the ages of 15 and 24. Volunteers and their Cameroonian co-workers have developed a manual in English language classes for teaching HIV/AIDS prevention which is currently being implemented in 20 secondary schools. As a result, 5,000 students are receiving information on how to prevent the spread of HIV/AIDS.

### Environment

Twenty-six Volunteers in agroforestry work in collaboration with local farmers and staff from two Cameroonian ministries in an effort to strengthen the link between agroforestry research and extension. Volunteers train farmers in farm research, nursery establishment, erosion prevention, and soil-fertility management. They also help farmers make the transition from "slash-and-burn" agriculture to more modern, but intensive, farming techniques. This is helping to protect Cameroon's rich bio-diversity and forest resources.

### Health

Since 1989, approximately 70 Volunteers have worked with the Ministry of Public Health Services to improve the health of mothers and children in Cameroon by strengthening the health care system. The project now focuses on community participation in health promotion and health education, with particular emphasis on women's and children's health care. Approximately 1,200 community members have participated in health talks and demonstrations given by Volunteers and their counterparts.

Population: 398,000  
 Annual Per Capita Income: \$870  
 Number of Years Peace Corps in Country: 7

### Peace Corps Country Overview:

Since becoming an independent nation in 1975, Cape Verde has been developing a national infrastructure to deal with a myriad of economic and social problems. Cape Verde lacks a number of important natural resources, including fresh water supplies on the islands of Sal, Maio, and Boa Vista. Because of drought, agricultural production has fallen below present needs, causing increases in migration from rural to urban communities. The unemployment rate, estimated at 50%, puts further strains on the country's ability to deliver basic social services, housing, and sanitation facilities. In both rural and urban areas, people suffer from malnutrition, poor hygiene, and unhealthy environmental conditions. Volunteers are working with community leaders to improve water and sanitation services, urban and small business development, agriculture, and education.

### Resources:

Cape Verde	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	12	19	19
Average # of Volunteers	23	27	29
Program Funds (\$000)	1,030	1,103	1,154

### Peace Corps Projects by Sector:

#### Agriculture

Volunteers are working to transfer development skills to rural extension agents and rural villagers as a means to carry out small-scale community development projects. Examples of these projects include small animal husbandry (poultry production), small business (development of a local bakery), and other agricultural and small business projects designed to improve the standard of living of rural people. Volunteers are working in the Urban Extension Project to help improve the quality of life in the newer, unplanned neighborhoods of the two largest cities in Cape Verde (Praia and Mindelo). Volunteers are working with their Cape Verdean counterparts to improve water and sanitation facilities, urban infrastructure, and small business development.

#### Education

The supply of Cape Verdean teachers trained to teach English in the nation's secondary school system is unable to meet the expanding need. This shortage is caused by increasing pupil enrollment in secondary education, increased construction and opening of secondary schools, other employment opportunities, and a lack of in-country training systems. This shortage of qualified teachers has led to the poor quality of English instruction, insufficient availability of instruction, and relatively low student achievement. Volunteers are working with the people of Cape Verde to develop a qualified corps of English teachers by strengthening instruction training programs. They also improve student achievement by assisting in the introduction of appropriate curricula and instructional materials into the secondary school system.

### Health

The lack of safe water and modern sanitation systems, combined with a low level of community understanding, is the principal reason for the spread of diarrheal and water-borne diseases, which continue to be the predominant cause of infant mortality in Cape Verde. In 1992, Volunteers joined with a successful UNICEF project aimed at improving the quality and quantity of water available to rural communities. Volunteers assist in developing health education materials for local people by setting up water quality testing laboratories and coordinating the technical and educational components of the project with the community.

Population: 3,249,000  
 Annual Per Capita Income: \$390  
 Number of Years Peace Corps in Country: 23

### Peace Corps Country Overview:

The Central African Republic (CAR) faces a number of development challenges to meet the most basic needs of its people. The country has a limited economic base, and its economic system is faltering. The country also suffers from the spread of HIV/AIDS, lack of modern agricultural practices, and a shortage of qualified math and science teachers. Peace Corps has tailored its programs in the CAR to meet these and other basic needs.

### Resources:

	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Central African Republic			
Trainees	45	38	38
Average # of Volunteers	35	60	63
Program Funds (\$000)	1,810	1,679	1,850

### Peace Corps Projects by Sector:

#### Agriculture

Volunteers serve as extension agents and teach local farmers modern agricultural practices such as crop rotation, inter-cropping, and farm management. Since the CAR has no steady source of seed supplies, Volunteers work with local farmers to establish seed banks throughout the country for both vegetables and trees. The products from the small plots of land lead to both improved nutrition and economic development for the local economies.

#### Education

Volunteers are conducting math and science education programs in secondary schools. They also provide instruction in English teaching techniques to Central African educators who work in secondary schools. Over 200 English teachers have been taught by Volunteers in this project. With approximately 12% of the population affected by HIV, Central African teachers are also using a manual developed by Volunteers which provides information on preventing HIV/AIDS.

#### Environment

This project focuses on the Dzanga-Sangha Reserve in the Southern Central African Republic. In collaboration with the World Wildlife Fund, Volunteers promote environmental education and focus on the development needs of the population surrounding the newly created reserve. One Volunteer has worked closely with the Pygmy and Bantu populations in this area to introduce new farming techniques and education on the importance of preserving their environment.

### Health

Volunteers work with their CAR counterparts in rural communities to encourage local citizens to take control of their own health care systems by strengthening preventive and curative activities. Volunteers work with town and village leaders to establish community health committees, build village pharmacies, control malaria, promote maternal and child health care, and strengthen sanitation projects.

Two Volunteers in the health sector are assigned to the HIV/AIDS education project and are involved in a wide range of activities to prevent the spread of these and other diseases. The Volunteers focus primarily on health education, and work with a variety of counterparts including young men and women, village elders and social affairs agents.

Population: 6,131,000  
 Annual Per Capita Income: \$200  
 Number of Years Peace Corps in Country: 21

### Peace Corps Country Overview:

Less than 30% of the population has access to potable water and 70% of Chad's population is illiterate. Volunteers help rural villages increase their access to safe drinking water and improve sanitation methods, train local health personnel in preventive health practices, and teach mathematics and English in secondary schools and at the university level.

### Resources:

Chad	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	31	29	29
Average # of Volunteers	42	53	55
Program Funds (\$000)	1,603	1,382	1,488

### Peace Corps Program by Sector:

#### Education

Volunteers are teaching English and math to some 3,000 students in Chad. Some Volunteers are working with local officials and educators to finalize teaching guides for English and math instruction in secondary schools. Others are working to develop library facilities in both secondary and high schools. Volunteers are also leading teacher training courses at two of Chad's major universities.

#### Health

Ten Volunteers have helped organize 15 village health education groups in Chad. With Volunteers assistance, these small groups of Chadian educators have delivered health education programs to more than 7,500 people within their communities. Topics taught by the village health groups include immunization, malaria prevention, control of diarrheal diseases, nutrition, water and sanitation. Volunteer efforts focus on transferring planning management, health information, education, and communication skills to these groups as a means of increasing their capacity to make sustainable changes in their health care programs. Three Volunteers are working with village health education groups to provide instruction on nutrition to mothers at growth-monitoring clinics. The Volunteers are also developing local recipes, cooking demonstrations and cooperative gardens to complement their education sessions.

Peace Corps has a long history of efforts to improve the water supply in Chad, where potable water is often scarce. Volunteers have assisted with the installation and maintenance of 865 wells and pumps. Volunteers in the rural water and sanitation project work with water committees in villages to install and repair wells and pumps, establish a maintenance fund and conduct health education on water and sanitation. More than 180 rural committees have been established with Volunteer assistance. Urban water and sanitation Volunteers assigned to the capital city, N'djamena, have worked with 16 neighborhood groups to construct public latrines and establish waste disposal and drainage systems. Private sector water supply Volunteers are responsible for training entrepreneurs to construct and install water pumps, as well as how to start and manage a small business.

Population: 528,000  
 Annual Per Capita Income: \$520  
 Number of Years Peace Corps in Country: 7

### Peace Corps Country Overview:

Comoros, classified by the World Bank as one of the world's least developed countries, has a Gross Domestic Product (GDP) that is increasing by a rate of 1% per year. The public education system has also been plagued by teacher and student strikes during the past four years. The degradation of Comoros' natural resources has accelerated at an alarming rate. The rates of maternal, child and infant mortality have remained high, with the leading cause of infant and child death being from diseases that are easily preventable.

Although Peace Corps' program in Comoros is still relatively new, Volunteers have made significant contributions towards development in both Teaching English as a Foreign Language (TEFL) and environmental education.

### Resources:

Comoros	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	17	16	16
Average # of Volunteers	18	23	28
Program Funds (\$000)	777	622	735

### Peace Corps Projects by Sector:

#### Education

Since 1988, over 15,000 students have learned English and 150 teachers have improved their teaching methodologies as a result of Volunteers' efforts. TEFL Volunteers recently completed a draft of an English teacher's training guide introducing environmental themes for English education. However, due to the continuing strikes and school closings, Peace Corps Comoros has recently suspended its TEFL project. Volunteers also have become involved in overall school repairs and construction. One Volunteer secured funding to construct a two-room school building in a rural community which was badly in need of assistance.

#### Environment

Volunteers work with environmental associations and media groups developing ways to preserve the deteriorating environment and improve the use of existing natural resources. In one community, Volunteers will be working with a local radio station to produce a series of environmental education programs to be played on the six national radio stations. An environmental educational curriculum guide in French will soon be published to assist Comorian science teachers and other environmental Volunteers to better educate Comorian youth.

**Health**

In 1994, Volunteers introduced a Rural Health Education Project to help promote health education throughout the country and mobilize village groups in implementing community-based health projects. Volunteers are currently performing Knowledge, Attitude and Practice Surveys in approximately 20 communities to assess basic health and nutrition needs. Following this, they will then begin to develop health education strategies.

Population: 2,508,000  
 Annual Per Capita Income: \$920  
 Number of Years Peace Corps in Country: 5

### Peace Corps Country Overview:

The Republic of Congo suffers from one of the highest per capita debts in the world and is struggling to diversify its economy. The country currently imports more than 70% of its food requirements. Water-borne diseases remain one of the Congo's most serious health problems, resulting in high mortality rates, particularly among children under the age of five. Only 7% of the rural population have access to potable water, and only 9% have access to proper sanitation facilities. Volunteers work to improve fish production, community health, and resource conservation.

### Resources:

Congo	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	27	24	24
Average # of Volunteers	7	27	39
Program Funds (\$000)	847	878	1,088

### Peace Corps Projects by Sector:

#### Agriculture

Twenty Volunteers are using locally available resources and appropriate technologies to assist 400 rural Congolese families in increasing their income and production of animal protein by promoting long-term, sustainable management of fish pond systems. Since 1991, Volunteers have helped fish farmers construct and manage over 800 ponds. In collaboration with Volunteers, project farmers harvested 800 kilograms of fish during FY94. Technical assistance provided by a Volunteer working with fish farmers in Abala resulted in an eight fold increase in fish production. Through a rural radio program in Mossenjo, one Volunteer is working to increase public awareness about the benefits of fish farming.

#### Environment

A high priority has been accorded to conserving the Congo's abundant natural resources. Volunteers have worked on long term biological monitoring, park infrastructure development and conservation education. Peace Corps is now exploring possibilities for future collaboration with the A.I.D. Central African Regional Program for the Environment project.

#### Health

Volunteers are working to improve health conditions in rural Congo by developing access to potable water supplies and sanitary facilities. Volunteer activities include the construction of model odor- and fly-free latrines at public institutions, such as health centers, schools and markets. Volunteers also hold demonstrations to teach the technical aspects of water sanitation, such as spring capping and well/cistern construction. Volunteers meet with community members to illustrate the relationship between hygienic water production and health. More than 100 demonstrations with over 1,000 participants have been held. Long-term Volunteer goals are to improve access to potable water for 40,000 rural Congolese.

Population: 13,358,000  
 Annual Per Capita Income: \$630  
 Number of Years Peace Corps in Country: 25

### Peace Corps Country Overview:

Despite economic progress in a number of areas, the people of Cote d'Ivoire continue to face many serious social and economic problems. Health indicators show a high infant mortality rate of 121 per 1,000 live births, and continued prevalence of infectious and parasitic diseases. Regional disparities also exist: some areas have far better access than others to potable water, waste disposal, adequate housing, a nutritious diet and employment. Urban waste disposal is especially problematic, with systematic trash collection minimal and few organized services at the municipal level. Volunteers work in both preventive health care and water and sanitation.

### Resources:

Cote D'Ivoire	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	0	48	48
Average # of Volunteers	55	66	85
Program Funds (\$000)	1,250	1,564	1,823

### Peace Corps Program by Sector:

#### Environment

Volunteers work with local officials to design and implement improved urban waste-management techniques, and to increase the capability of local government Technical Services Divisions to provide services. Volunteers also work with community groups to improve sanitation practices and increase the supply of potable water. With Volunteer support, 22 cities have undertaken new activities to alleviate waste disposal problems. Volunteers have assisted five cities with tree planting for erosion control and six cities with construction of school latrines and soak-away pit construction. One Volunteer in Agnibilékrou, in cooperation with the Mayor's office, organized a trash service for several neighborhoods, serving a total of 200 families. Two other Volunteers, working with two primary schools in Seguela, constructed and refurbished latrines which will improve sanitary conditions for 2,000 students. One Volunteer developed a guide for teaching hygiene in elementary schools, including model lesson plans, sample tests and animated images.

A new Water/Sanitation Project will begin in 1995. Volunteers will contribute to improvement of water/sanitation practices and will focus on community development, health, hygiene and sanitation education, and water supply issues. One major aspect of this project will be to work with village committees that are responsible for maintaining community hand-pumps.

#### Health

In collaboration with the Ministry of Health, Volunteers are working as part of health teams to promote preventive health care. Volunteers work with nurses, teachers, and local leaders to examine major health problems in communities and to develop demonstration projects that address these problems through education and training. During the past year, one Volunteer worked with UNICEF to coordinate the installation of "pharmacy boxes" containing medicines at local health centers throughout the Adzopé region. Another

## AFRICA

## COTE D'IVOIRE

Volunteer and her Ivorian colleague formed a village theater group to address subjects such as Guinea worm, hygiene, alcohol, smoking and other health-related issues. The group has performed in approximately five villages for 4,000 viewers.

Two other Volunteers initiated a Growth Monitoring Training Project to prevent malnutrition among children by encouraging activities such as weaning food demonstration centers, home visits and programs for nutrition monitoring of seriously malnourished children. This training has empowered 50 community health workers in 26 communities to run growth-monitoring activities.

Population: N/A

Annual Per Capita Income: N/A

Number of Years Peace Corps in Country: Entry FY95

### Peace Corps Country Overview:

Most of Eritrea's population lives on non-arable land, even though nearly 80% of Eritreans derive their livelihoods from subsistence farming, livestock and fishing. But Eritreans are now in the process of rebuilding their nation's economy, infrastructure and local institutions. A large number of government officials, including the President, the Minister of Foreign Affairs, the Minister of Agriculture, and the President of the University, were trained by Peace Corps Volunteers. They view education as a key to their prospects for successfully rebuilding the country. Peace Corps' opening project, English Education, will start in June 1995 with a trainee input of 25.

### Resources:

Eritrea	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	0	19	19
Average # of Volunteers	0	5	16
Program Funds (\$000)	277	1,004	1,215

### Peace Corps Projects by Sector:

#### Education

In recent years, the student population has been increasing due to a number of factors, particularly the return of Eritrean refugees from neighboring countries. Due to the current shortage of trained teachers in Eritrea, many schools remain inoperable despite a large student population. Less than one-sixth of Eritrea's 5,300 teachers have a college degree, and less than one-half have had teacher training. Peace Corps' education project is designed to strengthen the country's education system by improving the English language capabilities of both students and teachers, as well as to upgrade technical skills throughout the system.

Population: 53,297,000

Annual Per Capita Income: \$100

Number of Years Peace Corps in Country: Re-entry FY95

### Peace Corps Country Overview:

Years of war, political turbulence and periodic droughts have left Ethiopia and its 55 million people in difficult circumstances. The country suffers from extreme deficiencies in educational and health services, employment opportunities, food production, access to potable water, and adequate roads. Soil and vegetal resources are being progressively depleted, and 85% of the population lives in rural areas.

Peace Corps will re-enter Ethiopia after an 18-year absence with an opening project in education.

### Resources:

Ethiopia	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	0	19	19
Average # of Volunteers	0	5	16
Program Funds (\$000)	0	978	1,385

### Peace Corps Projects by Sector:

#### Education

Ethiopia faces the challenge of providing its rural population with basic education that will provide the nation with skilled workers and promote economic development. Decentralization and reform of Ethiopia's education system are redefining the roles and responsibilities of educators. Volunteers have designed an education project plan which establishes small teams of Volunteers to provide opportunities for professional support and development. One Volunteer will be assigned to prepare Ethiopians to teach English in primary schools. Other Volunteer team members will be posted to under-served rural secondary schools.

Population: 1,235,000

Annual Per Capita Income: \$4,050

Number of Years Peace Corps in Country: 25

### Peace Corps Country Overview:

Since only about 1% of the total land area is under cultivation, Gabon must import most of its food. Rural areas are especially affected by poor living conditions and inadequate sources of nutrition. There also is a critical shortage of teachers at the secondary education level. Primary schools are overcrowded, poorly constructed, and ill-equipped. Major health problems include high rates of maternal and child morbidity and mortality. Volunteers are working directly with farmers, teachers, and villagers to improve living conditions for the people of Gabon.

### Resources:

Gabon	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	58	56	57
Average # of Volunteers	103	119	121
Program Funds (\$000)	3,377	2,953	3,053

### Peace Corps Projects by Sector:

#### Agriculture

Volunteers are involved in the promotion of a freshwater fish culture with an integrated animal husbandry and agricultural crops component in order to improve villagers' income-generating capacity and contribute protein to their diet. Volunteers have trained more than 150 fish farmers and helped construct 66 new fish ponds. Annual fish harvests of these ponds has grown to 1.6 metric tons, of which 41% is consumed by the farmers' family members.

#### Education

Volunteers construct rural primary schools and teach carpentry and masonry techniques to Gabonese villagers. The Volunteers and program participants have successfully constructed nine new classrooms, three directors' offices, nine teachers' houses, and 18 latrines. In 1994, Volunteers taught physical science and mathematics to more than 5,500 students, with almost 50% achieving passing grades. Volunteers also taught English to more than 4,800 students, and 60% achieved passing grades.

#### Health

Peace Corps' pilot health project will assist the people of Gabon in their efforts to reduce maternal, infant and child morbidity through health education in basic preventive health techniques. Volunteers have conducted nutrition surveys, public health classes at a nursing school, prenatal consultations and immunizations at local hospitals, HIV/AIDS education, and produced a health lessons booklet for future Volunteers.

Population: 1,019,000

Annual Per Capita Income: \$360

Number of Years Peace Corps in Country: 28

### Peace Corps Country Overview:

Numerous social, economic and environmental constraints pose significant problems for the people of The Gambia. These problems are exacerbated by migration from rural to urban areas. The country experiences high infant and maternal mortality rates, particularly in rural areas. A major shortfall of qualified math, science and English teachers exists at both the primary and secondary school levels. Textbooks, teaching aids, and instructional materials are scarce. Only 60% of eligible children are enrolled in primary school and, in some rural areas, less than half of eligible girls are enrolled. The Gambia is also facing rapid declines in its natural resource base and agricultural productivity.

### Resources:

The Gambia	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	39	37	37
Average # of Volunteers	66	74	70
Program Funds (\$000)	1,604	1,505	1,543

### Peace Corps Projects by Sector:

#### Education

Over the past 28 years, Volunteers have taught thousands of Gambian students in math, science and English, and established 12 school-based resource centers and libraries. Within the past few years especially, Volunteers have also conducted 20 teacher training programs for the design of teaching aids and introduction of new teaching methodologies. Volunteers have spearheaded school and community-based environmental education activities. One Volunteer and her Gambian counterparts implemented a resource center at a primary school that entailed the preparation of teaching aids using recycled materials, as well as the development of a system for the security, maintenance, and inventory of the materials. The resource materials are prepared for the subject areas of English, math, science, and social and environmental studies, and are used for child-centered learning activities and games.

Another Volunteer demonstrated the environmental and monetary advantages of using fuel-efficient cook stoves instead of traditional open fires. In doing so, the Volunteer taught math concepts to his 153 eighth-grade students and their families, all of whom worked together to construct the stoves. The school administration and teachers were also very active in their support of the cook stove project. Participants in the project have estimated that use of wood for stoves has been reduced by an average of 33%. Several schools have since replicated the project, and the Ministry of Education is encouraging the use of cook stoves for its school feeding program.

#### Environment

During the past year, Volunteers have trained 21 Gambian farmers in community level nursery management

and fruit tree grafting. They also have conducted 30 community workshops on soil fertility and erosion control, and implemented 14 community-based environmental education projects. One Volunteer worked with a Gambian counterpart to establish a nursery project comprised of a large demonstration garden and living-tree seed bank. The nursery includes a live fence, a windbreak, alley cropping, over 750 fruit trees, a composting demonstration site, and a wood lot. Recently, the Forestry Department and a non-governmental organization laid plans for the establishment of a community managed forest reserve. The reserve will require a firebreak comprised of a variety of trees which will be provided by both the community and the nursery project established by the Volunteer and his counterpart. Another Volunteer trained farmers in the establishment and maintenance of live-tree fences, which keep livestock out of gardens and eventually grow large enough to provide for fuel wood, construction material, and animal fodder.

### Health

This project will be launched in FY1996. Volunteers will be assigned to health centers, dispensaries or village health committees. Volunteers will develop and implement primary health care education activities, placing special emphasis on maternal and child health care.

## AFRICA

## GHANA

Population: 16,261,000  
 Annual Per Capita Income: \$430  
 Number of years Peace Corps in Country: 34

**Peace Corps Country Overview:**

Through educational reform and the implementation of an Economic Recovery Program initiated in 1983, Ghanaians have experienced marked economic growth of approximately 5% per year. Despite this promising growth, 70% of Ghana's population resides in rural communities, many of which do not have access to clean water sources and basic health care. Deforestation and soil erosion are taking place at an alarming rate. Many communities and individuals have difficulty obtaining access to credit to start small enterprises and economic development projects.

**Resources:**

Ghana	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	68	70	70
Average # of Volunteers	103	122	128
Program Funds (\$000)	2670	2605	2783

**Peace Corps Program by Sector:****Economic Development**

Volunteers are assigned to associations in the private sector, credit unions and government agencies to strengthen small business activities, including training in financial management, marketing, product development, and improving access to credit for small entrepreneurs. A group of 100 women and two Volunteers helped establish a women's center which operates a cooperative credit union and provides business classes and a vocational training center for young unemployed girls. One Volunteer helped a group of women add value to their fish products by drying and packaging the fish. After taking the new products on a marketing tour through Ghana, the women saw significant increases in their sales and income.

**Education**

Volunteers teach math, science, art, and technical subjects in Ghanaian schools to support significant education reforms that the government has initiated. Volunteers construct heat sources with tin cans and kerosene, build ecosystems in bottles, and simulate chemical bonding models in the classroom. Volunteers also transfer community organization and planning skills to Ghanaian educators by mobilizing such projects as building school latrines, wells, dormitories, libraries, and science labs. Volunteers also have organized math and science clubs, built kilns and an art workshop, assisted environmental clubs, and coached sports teams.

**Education/Youth Development**

Ghana recently initiated a new youth development project that is designed to reach adolescents and young adults who are not part of the formal education and employment systems. The project seeks to strengthen the capacities of local groups that work with Ghanaian youth, to upgrade the skills of trade masters in vocational training centers, and to train university students who are working with street children in Accra and Kumasi. Two Volunteers work in Accra shelters that provide street children with food and other basic essentials.

Volunteers are considering future projects which can help these children build their natural entrepreneurial skills into sustainable, income-generating activities.

### **Environment**

As part of the Collaborative Community Forestry Initiative, Volunteer tree nursery managers direct the planting and growth of over 1,000,000 seedlings each year. Their efforts help to slow the effects of environmental degradation in the arid Sahelian zone in the northern regions. Volunteers also train people in tree nursery management and planting techniques with the goal of rendering village tree nurseries financially self-sustaining. As part of Ghana's new national curriculum, several Volunteers teach environmental science to secondary school students.

### **Health**

Volunteers assist rural communities in building technically appropriate wells and latrines to reduce diseases caused by poor water quality and sanitation systems. They identify community health needs, provide education in basic primary health care, nutrition, and Guinea worm eradication. One Volunteer helped develop HIV/AIDS education materials and a primer which is used in Ghana by rural health teams and school teachers. With only limited resources, another senior Volunteer led a community project in building the village's first improved ventilation pit latrines. Another Volunteer and a team of three Ghanaian counterparts have led a health campaign in 28 villages to improve water sources. Local businesses and villagers together raised funds to drill deep bore holes where potable water is scarce.

## AFRICA

## GUINEA

Population: 6,269,000

Annual Per Capita Income: \$510

Number of Years Peace Corps in Country: 15

### Peace Corps Country Overview:

For much of the last 30 years, Guinea has remained near the bottom of the social and economic development scale. Guinea has a literacy rate of 25% for adult males and 15% for adult females. Less than a third of all eligible children attend any level of school; in rural areas, only six percent of eligible girls are enrolled. Life expectancy is only 45 years, and infant mortality in rural areas is among the highest in the world. Agricultural development has been minimal throughout the country and despite an abundance of natural resources, only a small percentage of arable land is being cultivated.

### Resources:

Guinea	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	55	52	51
Average # of Volunteers	70	90	84
Program Funds (\$000)	2,273	2,158	2,155

### Peace Corps Projects by Sector:

#### Education

In collaboration with Guinean educators, Volunteers serve as English teachers in secondary schools and help students develop critical thinking skills. One Volunteer teaches English to more than 300 students using a pilot version of a new Guinean curriculum, and awards certificates of merit to young girls to encourage them to stay in school. Another education Volunteer has procured funding for renovation of a village hospital and has assisted a local women's group to begin a tie-dye cooperative. Beginning in 1995, three Volunteers will begin teaching English courses at the University of Conakry.

Volunteers also provide math instruction to secondary school students to prepare them for entrance to the country's technical schools and universities. One Volunteer teaches advanced secondary school math to more than 150 students, and is writing, piloting, and editing lesson plans for use by future Volunteers and Guinean educators. This Volunteer was asked by the Ministry of Education to research and write two treatises on math topics for possible use in Guinea's schools.

#### Environment

Volunteers work with the A.I.D. Targeted Watershed Management Project in the mountainous Fouta Djallon region of Guinea to strengthen environmental education and small-scale agriculture projects. One Volunteer has introduced a new plant strain to villagers which provides food for livestock in the dry season and improves the soil. This Volunteer also conducts education sessions for villagers on proper maintenance and use of improved wells. Another Volunteer initiated a water catchment system for a women's garden project and collected plant samples for the Smithsonian Institution.

**Health**

Volunteers work in public health education and outreach in small village communities. They collaborate with elected community councils to develop proposals for donor agencies to fund and implement small-scale community projects, such as the construction of schools, clinics, water sources, and latrines. One Volunteer teaches preventive health education to more than 200 primary students, over half of whom are girls, and has participated in vaccination tours which have inoculated more than 1,500 children. Another health Volunteer has received funding to form a youth theater group to encourage HIV/AIDS prevention. This theater group toured Guinea, appearing on Guinean television to highlight International AIDS Awareness Day.

## AFRICA

## GUINEA BISSAU

Population: 1,043,000  
 Annual Per Capita Income: \$220  
 Number of Years Peace Corps in Country: 7

**Peace Corps Country Overview:**

Guinea Bissau is listed by the World Bank as one of the ten poorest countries in the world. The health status of mothers and children is one of the bleakest in Africa: the mortality rate for children under five years is 246 per 1000 live births. Thirty-five percent of children in this age group suffer from malnutrition, with the principal causes of death being malaria, diarrheal disease and acute respiratory diseases. Less than 25% of the population has access to safe water. Opportunities for students and professionals to learn English are problematic due to a severe scarcity of English teachers and training materials.

**Resources:**

Guinea Bissau	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	22	19	19
Average # of Volunteers	35	38	32
Program Funds (\$000)	1,297	1,257	1,192

**Peace Corps Projects by Sector:****Agriculture**

Volunteers are working to improve rice-growing skills and increase rice yields on small farms through a rice extension project. The project has achieved wide support among local villagers, particularly with women rice farmers, who are now using better seed varieties, improving weed control methods, and constructing earthen dikes to better manage their water.

**Education**

Education Volunteers focus on three primary activities: teaching English at secondary schools where there is a lack of trained teachers; retraining current teachers; and developing relevant learning materials and curricula for teaching English. Out of 1,500 secondary school students who completed the third-year level of English, over 90% obtained a passing grade.

**Health**

Volunteers are focusing their efforts on training health workers at the village level and stressing preventive measures through non-formal education. Over the past year, Volunteers helped to establish monthly growth-monitoring and vaccination clinics in 20 villages. Volunteers and village health center staff served a population of almost 50,000, including 8,200 children under age four years and 1,300 pregnant women. In addition, Volunteers conducted 121 health education sessions on family planning, nutrition, prenatal care, basic hygiene, fever control, prevention of cholera, and HIV / AIDS for more than 3,700 women at seven health centers and 20 village health units.

Population: 25,376,000  
 Annual Per Capita Income: \$270  
 Number of Years Peace Corps in Country: 30

### Peace Corps Country Overview:

Currently over 80% of all Kenyans live in rural areas. Most of these citizens are small-scale agricultural farmers, pastoralists, and landless laborers. Approximately 47% of the urban population lives in or near slum areas. Kenya's education system faces a severe shortage of trained math and science teachers and the education of girls and young women is still a priority need. Environmentally, Kenya has lost about 50% of its forest cover over the last 30 years. If this trend continues, Kenya's forest will be largely depleted by the year 2000. Less than 50% of rural Kenyan households have access to safe water.

### Resources:

Kenya	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	75	83	83
Average # of Volunteers	161	161	140
Program Funds (\$000)	3,043	2,903	2,777

### Peace Corps Projects by Sector:

#### Economic Development

In 1994, more than 1,700 women were engaged in income-generating activities with assistance from Volunteers. Volunteers conducted 27 workshops on microenterprise development with 450 participants, including 240 women. Volunteers also taught business management classes to more than 250 young students. One Volunteer assisted artisans to improve product design and to develop outlets for their products. Another Volunteer developed an effective system to teach bookkeeping, marketing, and basic management to illiterate women.

#### Education

In 1994, Volunteers taught English, math and science to more than 5,000 Kenyan students. Additionally, 16 infrastructure improvement projects (such as libraries, laboratories, dining halls, and classrooms) have been completed. Volunteers are also involved in a wide variety of clubs including drama, wildlife, music, and sports. One Volunteer worked with a music and dance group in a very poor secondary school and led the group to a national championship. Another Volunteer worked with the school community and developed a proposal that brought electricity to two classroom blocks, the boys' and girls' dormitories, dining hall, and laboratory.

In 12 special education primary schools over the past year, 300 Kenyan teachers have received "on-the-job" training from Volunteers, and 1,250 assessments were conducted for hearing-impaired students. One Volunteer has worked with hearing-impaired school girls, teaching them baking and sewing skills. Another Volunteer is working with a local business community to provide job training for older boys who are hearing impaired.

**AFRICA****KENYA****Environment**

During the past year, Volunteers have worked with more than 400 individual farmers and almost 2,000 community members in adopting environmentally-based agroforestry and energy use techniques. Volunteers have helped start environmental education programs in 50 schools and tree nurseries in 140 schools. One Volunteer established environmental libraries in 23 schools.

**Health**

During the past year, water and sanitation Volunteers have assisted in the construction of more than 350 latrines and 100 water storage facilities that serve more than 9,500 urban and rural Kenyans. Almost 100 lessons in sanitary education were presented at primary and secondary schools. One Volunteer, in collaboration with health officials, improved a hospital's water facilities through the installation of new gutters on 32 buildings and the connection of a pump and pipeline to the existing storage tanks. Another Volunteer completed the construction of a water mainline and break pressure tanks for a large water project.

Population: 1,899,000  
 Annual Per Capita Income: \$660  
 Number of Years Peace Corps in Country: 28

### Peace Corps Country Overview:

The government of Lesotho faces serious challenges in providing basic social, health and education services. Increased unemployment due to recent changes in South Africa have caused a historically weak economy to become even weaker. Lesotho suffers from a growing unemployment rate, currently 30%, and a literacy rate of only 59%. Volunteers are working with small rural communities, schools, farmers, and local government officials to encourage social and economic development.

### Resources:

Lesotho	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	53	63	63
Average # of Volunteers	111	108	101
Program Funds (\$000)	2,659	2,593	2,641

### Peace Corps Program by Sector:

#### Agriculture

During the past year, Volunteers have established 30 garden groups and school gardens to improve village nutritional conditions. Additionally, six micronurseries for fruit trees have become operational, and are providing seedlings to 3,500 farmers who have been trained in improved methods and techniques for food production, preservation, and basic nutrition. Volunteers are also teaching marketing skills to farmers so that surplus products can be sold for cash for the rural economy. In 1994, Volunteers trained 140 village garden leaders who are now serving their communities, voluntarily, as agriculture and nutritional extension agents. Volunteers also have worked with local villagers and officials to improve access to safe drinking water for human consumption and livestock production.

#### Economic Development

Volunteers provide technical and managerial training to a growing number of small businesses, business support agencies, and local financial institutions in Lesotho. Through the teaching and training efforts of one Volunteer, a group of approximately 15 young entrepreneurs are now surveying the marketability of their business ventures in their respective communities. Another Volunteer has assisted a group of basket weavers by helping them develop marketing plans for their products.

#### Education

Education is Peace Corps' largest and oldest program sector in Lesotho. Located primarily in the remote mountain districts, Volunteers teach English, math, science, agriculture, computer science, home economics, and vocational education to some 7,400 students in over 35 disadvantaged secondary schools. Volunteers also participate in secondary projects, such as, building libraries, classrooms, water systems, health clinics, roads, and footbridges. During the past year, Volunteers assisted in the construction of more than 28 water collection

systems, which increased the availability of safe drinking water for an estimated 3,000 students and established 35 new school gardens at their sites.

### **Environment**

Environmental Volunteers are providing valuable assistance as extension agents and business and management advisors for the Ministry of Agriculture. Their projects focus on reversing environmental and land degradation, improving land management techniques and teaching modern livestock grazing plans. A total of 149 rain catchment systems, five spring catchments and two horizontal wells completed in the past two years now provide safe drinking water to approximately 32,000 people in the rural and mountain districts of Lesotho. During the past year, one Volunteer successfully designed and completed an ethno-botanic survey in four mountain range management areas. This study will assist the Ministry of Agriculture with the biological monitoring of non-forage resources and the evaluation of the effects of organized range management practices on mountain ecosystems.

Population: 12,728,000

Annual Per Capita Income: \$240

Number of Years Peace Corps in Country: 2

### Peace Corps Country Overview:

The education system in Madagascar experiences overcrowded classrooms, poorly trained teachers, lack of teaching materials, high student repetition and failure rates, and inadequate curricula. The natural resource base, upon which the majority of Malagasy directly depend, is seriously threatened by deforestation, loss of biological diversity, soil erosion and a decline in overall land productivity. Much of the population does not have access to basic social services. Economic recovery has been hampered by long-term development constraints, including high population growth, widespread poverty, and food insecurity.

Volunteer projects are based on requests for training English language teachers; natural resource management and community development; and the promotion of nutrition, health education, and child survival techniques.

### Resources:

Madagascar	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	22	23	23
Average # of Volunteers	8	33	39
Program Funds (\$000)	968	1,041	1,256

### Peace Corps Projects by Sector:

#### Education

Volunteers are working with 32 Malagasy junior high school English teachers to improve their English speaking ability and enhance their teaching methods and materials. Together with their Malagasy counterparts, Volunteers are conducting weekly or bi-weekly English lessons and teaching methodology classes. Their goal is to promote the use of English among the junior high students and faculty, as well as the general population. In support of this goal, Volunteers are establishing English language resource centers and implementing training seminars in their communities. In addition, Volunteers have worked with officials from the Ministry of Education to facilitate six in-service training sessions for approximately 100 teachers.

#### Environment

Twelve Volunteers will be working with, and providing training for, local community members and groups to improve the conservation of Madagascar's environmentally protected areas. They will be working to reduce the degradation of the natural resources in and around six of these areas; to develop the capacity of local individuals and institutions to manage sustainable, income-generating activities around these areas; and to enhance management capabilities of the government officials responsible for these areas.

#### Health

Starting in 1995, Volunteers will begin working on a project which will focus on child survival, health and nutrition education and malaria control.

Population: 9,303,000

Annual Per Capita Income: \$220

Number of Years Peace Corps in Country: 30

### Peace Corps Country Overview:

In 1994, the people of Malawi peacefully elected a new president and political leadership following 31 years of one-party, one-man rule. However, the gains in political and individual freedom have been tempered by continuing concerns about drought, hunger, disease, and environmental degradation.

Moreover, Malawi currently suffers from the rate of HIV infection: 12% of urban, middle-class adults between the ages of 15 and 44 are infected with HIV. Projections indicate that the number of children orphaned by this epidemic will reach 600,000 by 1998. These statistics, coupled with the growing demands for education and environmental rehabilitation, reinforce the important role that Volunteers play in Malawi's development.

### Resources:

Malawi	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	46	63	63
Average # of Volunteers	96	95	93
Program Funds (\$000)	1,852	1,857	2,008

### Peace Corps Program by Sector:

#### Education

Volunteers are assigned as mathematics and science teachers in rural, under-served secondary schools. Volunteers teach in classrooms with 30-150 students per class, using techniques designed to increase student participation. Volunteers who work in the Special Education Project focus on teacher training, curriculum development, and demonstration classrooms for mentally and physically handicapped students, pre-school children, and adults. One Volunteer introduced a paper-making project using recycled classroom paper. Now, men and women in the area are producing envelopes and stationery from recycled paper.

#### Environment

Volunteers in Malawi are serving as environmental educators, national park officers, and community coordinators. They work with local residents of National Parks and neighboring "protected areas" to relieve human pressures on the natural environment, increase food security, and create income-generating activities for local residents.

#### Health

Volunteers work in rural communities as educators and counselors, teaching HIV/AIDS prevention strategies and counseling techniques to Malawi counterparts, co-workers, patients, students, and community groups. Volunteers also instruct families in childhood disease prevention, while physical and occupational therapist Volunteers work with patients, local health personnel, and Malawi health professionals to treat disabled patients. One Volunteer has been instrumental in developing a District HIV/AIDS Education and Counseling Center

where a group of 40 female volunteers from local churches regularly visit HIV/AIDS patients and conduct prevention activities in their neighborhoods.

### **Urban Development**

Volunteers work in teams to address the myriad of problems caused by rapid urbanization in Malawi. The teams, which are made up of architects, engineers, accountants, and community development workers, are posted in each of Malawi's major cities. In Lilongwe, Volunteers are working to implement city statutes that enable low-income residents to improve their housing. One Volunteer works with local architects and engineers to design low-cost housing and plan subdivisions in areas scheduled for development. In Zomba, two Volunteers were instrumental in organizing local community efforts to obtain piped potable water for a village.

Population: 9,234,000  
 Annual Per Capita Income: \$300  
 Number of Years Peace Corps in Country: 24

### Peace Corps Country Overview:

Although most of the nine million inhabitants are engaged in an agriculturally based livelihood, Mali has yet to achieve food self-sufficiency and faces a number of other development problems that require long-term solutions. Peace Corps' primary objective in Mali is to assist its people in promoting socioeconomic development and addressing the most basic development needs of the Malian people: food production, water availability, environmental conservation, basic education, and preventative health care.

### Resources:

Mali	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	95	92	92
Average # of Volunteers	137	179	163
Program Funds (\$000)	4,139	3,342	3,555

### Peace Corps Projects by Sector:

#### Agriculture

Volunteers are helping Malian farmers at the village level to produce enough nutritious food to supplement their diets and generate income by increasing and improving primary gardening activities, field crops, small animal raising, and food preservation and storage. Some of the techniques being promoted include composting, double digging, inter-cropping, and use of organic pesticides. Volunteers also introduce different kinds of vegetables, such as soybeans, and teach women how to use them in their everyday diets. Small animal husbandry Volunteers are working with farmers to introduce better techniques to raise chickens. These Volunteers advise farmers on improved chicken coop construction, feeding and watering, chick production, and better sanitation and health care. They also help introduce a sturdier variety of chickens to strengthen the local breed.

#### Economic Development

This project seeks to expand the small business sector in Mali by improving the management capacity of potential and existing small business entrepreneurs, and by increasing the financial and technical resources available to them. Volunteers are placed in both cities and rural towns. They work with businessmen and women instating new businesses or improving their management skills for existing small business projects. Feasibility studies, marketing surveys, inventory control, accounting, and pricing are some of the services and training that Volunteers provide.

Volunteers based in rural areas work with farmers and other community members teaching them the basics of profit making through simple value-adding techniques or better marketing. Urban-based Volunteers work to develop long-term plans for the creation of community owned and managed savings and credit institutions. One such Volunteer, with the assistance of his local counterpart, recently initiated the start-up of a village bank in Niono.

## Education

Volunteers work as technical advisors and catalysts to help primary school teachers make topics more practical for their students. Volunteers provide technical and pedagogical training to Malian teachers to integrate knowledge and practice in agriculture, animal husbandry, vocational education, and home economics into school curricula. This will result in making education more relevant to the needs of students who will not continue their studies, but will be farmers, artisans and parents. Volunteers are also coordinating technical exchanges between rural and town based teachers to promote diffusion of new methodologies and techniques throughout the country.

## Environment

Volunteer foresters help train the local population to better understand their environment, to use their natural resources more efficiently, and to conserve the bio-diversity in their communities. Soil conservation, tree conservation, and tree production are the primary concerns of this sector. Working with Volunteers, Malian farmers have learned to build rock lines to prevent soil erosion and to plant trees as live fencing in an effort to reduce deforestation. Volunteers also teach women how to make improved mud stoves which burn less wood than the traditional method. Promoting fruit tree planting is another focus of this sector, using grafting methods which increase fruit yield and lengthen the growing season. Environmental education, both formal and informal, is a new component of this sector whereby Volunteers work with primary schools and other organizations to incorporate environmental awareness into the curriculum.

Volunteers are also developing Mali's capacity to improve the management of limited water resources and sanitary conditions. They are working with local blacksmiths to construct low-cost water pumps, providing Malian farmers with an affordable alternative that can be manufactured and repaired locally. An important development in this area has been the formation of regional and local level interagency sanitation committees. Volunteers were the primary catalysts for the formation of these committees, marking the first time community leaders have joined with government and non-governmental organizations to solve sanitation problems.

## Health

The aim of the Health Education Project is to decrease the number of preventable deaths among children, to increase community awareness of health issues, to improve general health care practices among villagers, and to upgrade the skills of local health workers.

Volunteers also monitor child growth and teach their Malian counterparts how to develop and present health and nutrition education lessons to needy mothers. Health education themes include: proper weaning, breast feeding, diarrheal disease control, vaccinations, and HIV/AIDS prevention. Volunteers also promote attendance at prenatal consultations and help train and supervise traditional birth attendants. Some Volunteers work with primary school teachers to incorporate health topics into the curriculum. Three other Volunteers are currently developing theater groups to perform plays that promote HIV/AIDS prevention and other health-related topics.

## AFRICA

## MAURITANIA

Population: 2,137,000  
 Annual Per Capita Income: \$510  
 Number of Years Peace Corps in Country: 25

**Peace Corps Country Overview:**

Recurring drought and sparse natural resources make Mauritania one of the world's least-developed nations. Only 15% of the rural population of Mauritania has access to clean water and less than 1% of the land receives sufficient rainfall to sustain crop cultivation. Volunteers are working at the grass roots level to support the primary objectives of the country's economic plan: increased agricultural production and income generation from agriculture; promotion of reforestation and dune stabilization projects; implementation of preventive health care with an emphasis on providing clean water; and development of the formal and informal business sectors.

**Resources:**

Mauritania	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	22	19	19
Average # of Volunteers	49	42	32
Program Funds (\$000)	1,613	1,329	1,199

**Peace Corps Projects by Sector:****Agriculture**

Agroforestry Volunteers are part of an integrated development effort to implement improved agriculture and forestry practices throughout rural Mauritania. This strategy aims to slow the rate of desertification and environmental degradation, while at the same time increasing food production. A major emphasis of the Volunteers' work includes transferring technical expertise to Mauritanian farmers and villagers. An agriculture Volunteer worked with the Nere Walo Women's Cooperative to install a water irrigation system for their cooperative garden, as harsh weather conditions and local geography made water difficult to acquire. The existing well was deepened and a wind-powered pump, made from locally available and inexpensive material, was installed. Now the women are able to produce more vegetables to supplement their daily diets, while at the same time supplementing their household incomes.

**Economic Development**

The purpose of this project is to generate income and increase employment for small-scale entrepreneurs in Mauritania's informal economic sector. Volunteers work to improve general business management practices and to help create or expand new and existing businesses among individually- and cooperatively-owned enterprises. A Volunteer in Nouadhibou helped secure funding to expand and renovate the only tie-dyeing business in the central market.

**Health/Water Sanitation**

Volunteers are working to upgrade the health status of the rural population and improve the standard of living through the development of potable water sources, the development of sanitation facilities and the promotion of improved methods of treating water. One Volunteer working in the Kankossa area developed a pump made out of locally available materials which is simple to construct, operate and repair. He taught villagers, as well as other Volunteers, how to replicate this technology which has served to increase access to clean water in that region.

## AFRICA

## NAMIBIA

Population: 1,565,000  
 Annual Per Capita Income: \$1,660  
 Number of Years Peace Corps in Country: 4

**Peace Corps Country Overview:**

Before achieving independence in 1990, the quality of Namibia's education was uneven, as each ethnic authority ran the state schools in its area without adhering to an established state standard. It is estimated that 60% of Namibia's population is illiterate. The Ministry of Education and Culture estimates that only 40% of the country's students will complete the seventh grade. Volunteers are working to support the Ministry's efforts to improve and expand access to quality education.

**Resources:**

Namibia	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	53	58	73
Average # of Volunteers	72	92	106
Program Funds (\$000)	2,239	2,265	2,631

**Peace Corps Program by Sector:****Education**

Volunteers teach English, mathematics, and science in secondary schools throughout the country and are involved in secondary projects designed to improve the conditions at their schools and in their communities. Volunteers also serve as instructors at three teacher training colleges providing instruction in methodology, English and child development. They establish teacher resource centers, build libraries, and secure books, supplies, and equipment for schools and teacher training colleges.

**Education/Youth Development**

Needs in this sector are tremendous, since there are no services for youth and structures for providing information, training or counseling did not exist prior to 1990. Youth in Namibia, which comprise 70% of the country's population, have had no experience in forming organizations or developing leadership structures. To address these problems, Volunteers work as regional youth officers, health and program officers at youth resource centers, and as management officers at youth skills training centers. They are establishing an infrastructure which provides services to young people in employment, job training and health in order to increase their participation in economic, social and civic development. Volunteers have assisted in establishing nine regional youth offices, one multi-purpose youth center with a drop-in health unit, an environmental education unit, a jobs information unit, and a youth skills training center which provides year long training courses in vocational, business management for youth at risk. The combined efforts of these programs provide services for approximately 100,000 Namibian young people each year.

Population: 8,440,000  
 Annual Per Capita Income: \$270  
 Number of Years Peace Corps in Country: 33

### Peace Corps Country Overview:

Niger is one of the poorest countries in the world. Efforts to develop the country's limited resources have been hindered by increasingly difficult environmental pressures and limited manpower. Periodic droughts throughout the 20th century have caused great social and economic dislocation among the rural population. Peace Corps implements a programming strategy which works to address such basic priorities as increased food self-sufficiency, malnutrition, math and science education, and natural resource sustainability.

### Resources:

Niger	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	68	69	69
Average # of Volunteers	109	132	128
Program Funds (\$000)	3,087	2,863	2,979

### Peace Corps Projects by Sector:

#### Agriculture

The goal of the Africa Food Systems Initiative (AFSI) project is to assist Niger's efforts to increase food self-sufficiency by promoting local problem-solving capacities. Volunteer efforts focus on improving food production, conservation and income-generating activities, as well as diversifying economic activities in general. Initiated in 1987, the project organizes Volunteers into multidisciplinary teams which focus development efforts in a given geographic area for eight to ten years. Volunteers work with village leaders and government officials to identify ways to improve families' food systems. Once methods and technologies are implemented, they are monitored to determine their effectiveness.

Training is a major focus of the AFSI project. In 1994, Volunteers planned two training projects for 60 gardeners to improve their gardening techniques. Upon returning to their villages, each participant held mini-training sessions to pass on what they had learned.

#### Education

Niger's education system suffers from a shortage of qualified and trained teachers. Over 72% of the population is illiterate. By providing math and science training for teachers, Volunteers are working to increase access to math and science education for 12,000 Nigerien students. Volunteers also assist their local schools in identifying ways to acquire math and science materials and improve the learning environment. Literacy training, begun in 1987, has led to the initiation of eight village libraries. In 1994, several literary clubs were initiated to provide a forum for advanced readers. Other events held in 1994 included a para-veterinarian training for five villages, literacy training for eight villages, tree nursery training for 25 villages, and soil conservation training for 20 villages.

## Environment

The environment in Niger is under heavy, long-term pressure due to climatic change and increasing use of natural resources. The purpose of this project is to assist local communities in reaching food and natural resource self-sufficiency by improving the management of their land. Volunteers work in rural communities in four regions of Niger and develop plans to encourage environmental conservation and rural development. Project activities include promoting the construction of woodless houses and wood-conserving stoves, planting new trees and improving the management of naturally regenerated trees.

Volunteers are leading a project which is designed to maintain the productive capacity of biologically diverse ecosystems in Niger. They are assisting communities in adopting conservation and sustainable management practices for the land and resources for present and future generations. Over the last three years, a team of Volunteers has been developing a management plan and community activities near the Kouré forest to help preserve the last troop of wild giraffes in West Africa. These Volunteers have made significant progress in documenting the population size, movements and behavior of the giraffes. They have also begun to collaborate with the Ministry of Tourism to provide further training and support to forest guides. These guides now earn income from tourists by escorting them to view the giraffes. The guides play an important role in minimizing disturbances to the animals and their habitat.

Environmental Volunteers are also working to increase and enhance environmental education in primary schools through the publication of journals and training of Nigerien primary school teachers.

## Health

The Nutrition Project is designed to assist the Ministry of Health's efforts to improve the nutritional status of children and pregnant and lactating women in rural Niger by educating mothers on methods to improve their feeding and dietary practices.

In the village of Dan Issa, a Volunteer nutritionist helped create a unique waste disposal system for the community. Using Small Project Assistance funds, she was able to recruit the service of four villagers to remove waste to a designated area using donkey and pull-carts. In a country where diarrheal diseases are the third most frequent cause of morbidity and where an average child suffers nearly seven episodes of diarrhea per year, effective waste disposal is vital to the health and well-being of the community. Villagers are continuing to implement this waste disposal system on their own initiative.

Population: 125,000  
 Annual Per Capita Income: \$330  
 Number of Years Peace Corps in Country: 5

### Peace Corps Country Overview:

Sao Tome and Principe is blessed with rich volcanic soils, adequate rainfall, and people who have experience in the production of food, cash crops and fishing. However, the majority of people suffer from a very low standard of living that is compounded by high rates of disease (such as malaria, intestinal parasites and gastro-intestinal infections) and a lack of basic services. These living conditions are especially acute among the rural population of the country, where many people do not have access to such services as health care, potable water, waste-disposal, and education.

Volunteers are currently helping villages in health education, water catchment, latrine construction, swamp drainage, and income generation. These projects are aimed at improving the standard of living of the people of Sao Tome and Principe by encouraging decision making at the local level.

### Resources:

Sao Tome and Principe	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	13	13	13
Average # of Volunteers	19	23	24
Program Funds (\$000)	841	818	901

### Peace Corps Projects by Sector:

#### Economic/Community Development

In 1994, Volunteers supported 18 community development projects that were initiated by local groups. Many Volunteers work as extension agents in the area of health. Volunteers are assisting with: the education of rural community residents and rural primary school children in the areas of nutrition, hygiene and primary health care; improving the general health care infrastructure by generating an understanding of the need for sanitary waste disposal and aiding in the construction of latrines, potable water systems, and school kitchens; and promoting small community development projects.

Other specific activities and projects that Volunteers have helped organize or create include: two community centers; one tailor shop which demonstrates how to manufacture clothes and generates income; three restaurants which focus on providing income-generating opportunities for rural and urban people; two day-care centers which care for children of working women; two canal renovations; a water pipe system for a fishing village; several latrines (in conjunction with UNICEF) which provide a better sanitary environment for villages; water catchment systems, which show people how to obtain and store clean drinking water; two centers providing health care and education classes, and a Women in Development project sponsored "Take our Daughters to Work Day."

In addition, 11 associations were developed with local people. Ten groups (including four women's groups and one youth group) are working on income generation activities. Three Volunteers are involved in environmental activities which include working with the only local environmental NGO, surveying sea turtles and their nesting sites, reforestation, and developing environmental education materials for schools, scouts, and nature clubs.

## AFRICA

## SENEGAL

Population: 8,054,000

Annual Per Capita Income: \$730

Number of Years Peace Corps in Country: 32

### Peace Corps Country Overview:

Despite many advances in Senegal in recent years, there remain numerous economic problems that have been aggravated by the steady decline in rainfall since the 1960s. Profits from the two main export crops, groundnuts and millet, are largely dependent on annual rainfall. In addition, much of the agricultural land in Senegal is in fragile condition due to a combination of soil depletion/degradation, deforestation, and desertification. Unemployment and underemployment are growing problems in Senegal, with only a small fraction of new entrants into the labor force able to find jobs. In the Health sector, while the Government of Senegal has decentralized health services, an under-sized staff of primary health care workers and limited basic health care resources impose considerable constraints. Maternal and childcare services remain limited. Consequently, Senegal has one of the highest infant and childhood mortality rates in the world.

### Resources:

Senegal	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	68	68	67
Average # of Volunteers	129	140	116
Program Funds (\$000)	3,119	2,851	2,739

### Peace Corps Program by Sector:

#### Agriculture

One of the major problems of the agriculture sector in Senegal is the misuse and mismanagement of Senegal's natural resources, which has led to a reduction in crop yields. Volunteers work with farmers on a variety of projects designed to improve soil fertility and increase the production of both traditional and non-traditional crops. These projects include promotion of vegetable crop production, composting, crop diversification, live fencing and integrated pest management.

More than three-fourths of Senegal's rice seed comes from imports. Volunteers work with women farmers in the southern part of the country to increase rice yields, encouraging greater self-sufficiency for this important crop. Volunteers have introduced improved varieties of rice and farming techniques better suited to local conditions, which has led to a significant increase in crop output. Reports of these production increases have led to numerous requests from other area farmers to participate in the project.

#### Economic Development

Volunteers in this project help to enhance the organizational and management capability of village and urban-based groups and individual microenterprises. Volunteers are working with woodworkers, leather workers, tailors, artisans and others to benefit from the increased demand for locally-produced goods. Since that many visitors were not aware of a local artisan center, one Volunteer worked with the artisans to design road signs. These strategically placed signs have increased visitors by 50%. The Volunteer also helps in the organization of the center and record-keeping to better manage the tourist market.

### Environment

Volunteers educate farmers and students about protection of the natural resource base to sustain agricultural production. This project currently encompasses 10 schools and 40 teachers in the Diourbel work zone. During the last school year, two Volunteers identified a core of motivated teachers who, under the leadership of their local counterparts, created an Environmental Education Steering Committee. In collaboration with committee members, these Volunteers prepared environmental education modules which were approved and will be used during the next school year.

Volunteers also work with local farmers on reforestation efforts at the village level. One Volunteer, after observing the success of local live fencing at a model farm, decided to replicate it in his village. With the assistance of the local forest service and other funding, he worked with 15 farmers to collect *Leuceana* seeds and plant them. More than 10,000 saplings have survived this planting.

### Health

Volunteers in this project assist in the planning, organization, and implementation of a primary health care program intended to reach the broadest possible segment of the population. Volunteers collaborate with nurses assigned to village health posts and with various community-based development groups, promoting such skills as how to conduct health education classes and promote community-based development projects. One Volunteer worked with a group of five women to hold health education classes for all women in the village. These classes were then offered to neighboring villages. Another Volunteer and her counterpart helped the people of Thiolum Fall build a maternal health center in their village with donations from former village residents.

Population: 888,000

Annual Per Capita Income: \$1,050

Number of Years Peace Corps in Country: 27

### Peace Corps Country Overview:

Although Peace Corps has been successful in increasing access to quality education for many citizens of Swaziland, the program continues to evolve to meet their changing development needs. Swaziland faces an acute shortage of mathematics and science teachers because they are often attracted to the private sector or to better-salaried positions offered in neighboring countries. Each year thousands of school graduates are unable to obtain a living wage due to a lack of technical skills.

Environmental degradation is another serious problem which threatens the potential success of public health and development initiatives in Swaziland. Poor solid waste management, limited access to clean drinking water, and rampant soil erosion are among the problems that the Swazis are attempting to address. Due to rapid urban growth in the past decade, 30% of the population now lives in towns and cities. Urban centers are overcrowded and lack the public services and facilities necessary to meet the demands of the rising population. A large segment of both rural and urban dwellers remain unaware of the sources of communicable diseases and malaria. Awareness of environmental issues is also just beginning in Swaziland and Volunteers will play an important role in increasing public knowledge and understanding of these issues.

### Resources:

Swaziland	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	28	31	31
Average # of Volunteers	67	59	49
Program Funds (\$000)	1,387	1,249	1,294

### Peace Corps Program by Sector:

#### Education

Each year Volunteers teach mathematics, science, and vocational skills to over 10,000 students in Swaziland. Volunteers play an important role in providing the quality instruction necessary for students to successfully compete on the national exams. Six Volunteers are working with parent committees to construct science labs for rural schools. Four Volunteers have established math or science clubs at their schools. Other Volunteers are working with primary school teachers to improve the quality of their classroom instruction. Over 1,000 primary school teachers have benefited from workshops led by Volunteers, which cover topics such as student assessment, teaching methodology, and the design of remedial learning activities. During the past year, vocational education Volunteers have taught basic skills in woodworking, metalwork and technical drawing to over 400 students. Volunteers encourage practical activities that not only allow students to practice their skills, but benefit the school as well. A carpentry Volunteer and his students repaired 125 desks at their school. Another Volunteer oversaw the construction of furniture for a laboratory and library at his rural school.

#### Environment

Volunteers work with government agencies to devise environment policies that address concerns about waste management, urban planning, natural resource management, and environmental education. Volunteers working

with the Ministry of Housing and Urban Development and local city councils focus on land use planning and zoning regulations within urban areas. One Volunteer has been instrumental in developing environmentally sound building codes.

Volunteers working in conjunction with local community organizations are participating in water and soil conservation projects that will benefit over 30,000 people in Swaziland. Other Volunteers produce programs with environmental themes at interpretative centers in nature reserves that reach over 2,500 students each year. One Volunteer helped to obtain funds to construct two centers that will provide environmental education opportunities for local schools and communities. Another Volunteer established an indigenous tree nursery to assist in the area of bio-diversity conservation.

## AFRICA

## TANZANIA

Population: 26,743,000  
 Annual Per Capita Income: \$100  
 Number of Years Peace Corps in Country: 22

**Peace Corps Country Overview:**

Although favored with abundant natural resources, Tanzania is still struggling to gain self sufficiency. In recent years the liberalization of the economy has encouraged the development of private enterprise. There remains, however, a high rate of unemployment and the majority of the people support themselves through small-scale agricultural activities. While there have been significant infrastructure improvements, especially in road construction, movement of goods within the country remains difficult and is a major deterrent to further economic development. Tanzania has placed science education and technology at the center of its development strategy. However, with perennial funding shortfalls, the Tanzanian teaching profession has not been able to attract, train or retain sufficient numbers of qualified math and science teachers to meet the country's needs. Peace Corps re-entered Tanzania in June 1991, and Volunteers have focused their efforts on improving the quality of, and access to, science and mathematics education in secondary schools.

**Resources:**

Tanzania	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	48	48	48
Average # of Volunteers	80	92	92
Program Funds (\$000)	2,135	2,072	2,175

**Peace Corps Program by Sector:****Education**

During the past year Volunteers have provided math and science education to over 12,000 secondary school students in Tanzania. Nearly every school where a Volunteer has been assigned has seen the students' academic performance increase on national exam scores. Examples of Volunteer impact can be seen at Shinyanga Commercial Secondary School, where advanced level economics students' scores ranked first in 1994. Similarly, physics students at a secondary school in Arusha who were taught by a Volunteer ranked first in 1994.

Volunteers are aiding in a multitude of secondary projects outside of the classroom, including building school and community libraries, designing HIV/AIDS education posters, assisting private entrepreneurs in improving business skills, and participating in Special Olympic events. Volunteers also provide computer education courses, teach English, help organize Girl Scout troops, organize trips for Tanzanian high school students to climb Mount Kilimanjaro, and assist in the production of a short film designed to raise awareness of women-in-development issues.

**Environment**

Although only a small number of Volunteers have been working in this sector, the impact has been impressive. One Volunteer working as a conservation law officer completed a report on all existing legislation pertaining to the environment. The report provides a historical overview of law and institutions pertaining to environmental management and summarizes the basic environmental problems facing Tanzania.

Another Volunteer works with an extracurricular club that provides environmental education to Tanzania's secondary school students. This Volunteer has visited over 50 schools in the past year giving environmental education lectures in Kiswahili to over 2,500 students. In addition, she has contributed articles to and helped produce the club's annual magazine, assisted in the production of four environment videos in English and Kiswahili, and assisted in writing a Wetlands Teacher's Training Kit.

### **Refugee Relief**

Three Volunteers in northwestern Tanzania have been assigned to provide relief assistance to one of the refugee camps with a population of 3,200 refugees. Within four months of their arrival, these Volunteers planted 15,000 wood fuel trees, built 300 fuel efficient stoves and trained local villagers in their use and maintenance. They also developed 240 home gardens, built a gravity-flow water system, provided health education classes for more than 130 community health workers, and wrote a syllabus for health procedures to be used at a local camp.

## AFRICA

## TOGO

Population: 4,026,000  
 Annual Per Capita Income: \$330  
 Number of Years Peace Corps in Country: 33

**Peace Corps Country Overview:**

Togo is experiencing a long and difficult transition to democracy and struggling with the effects of the Structural Readjustment Program initiated in January 1993. It is estimated that more than 30% of the rural population lives in extreme poverty, and only 21% of Togo's people have access to adequate sanitation. Diseases such as tuberculosis, malaria and malnutrition are endemic in Togo. Current farming practices cannot meet the needs of the increasing population.

**Resources:**

Togo	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	48	43	43
Average # of Volunteers	44	66	68
Program Funds (\$000)	2,527	1,937	2,272

**Peace Corps Program by Sector:****Economic Development**

Since 1991, Volunteers have been working with officials at local credit unions to offer training and consulting to members who wish to improve their business skills. Workshops covering accounting, finance, marketing, feasibility studies, and other business advice are offered to groups of tailors, retailers and other small business people. Volunteers also provide post-course consulting services. The goal of this project is to improve basic business and entrepreneurial skills and foster opportunities for economic growth and job creation in Togo's large microenterprise sector.

Small business Volunteers have conducted accounting and management workshops for some 230 entrepreneurs. Some of the Volunteers have trained local assistants, who are now capable of conducting accounting classes and performing follow-up activities. Other Volunteers and their counterparts from the National Savings and Credit Organization have worked together to create a marketing training module and a training manual. Entrepreneurs in the town of Tsevie, with assistance from a Volunteer, organized a Chamber of Commerce with over 75 members. The Chamber meets bi-weekly to discuss issues such as transportation problems, marketing in neighboring towns, buying raw materials together in bulk, and advertising locally produced goods.

**Environment**

Heavy demographic pressure is straining Togo's agricultural systems and the regeneration of arable land. Traditional farming practices cannot meet the needs of the increasing population, nor do these practices address the problem of soil degradation. Togo's forests are being depleted as demand for tree products increases. Through Volunteer efforts, the use of nitrogen-fixing plants and trees has been adopted by over 100 farmers in 30 villages. Twenty-three target villages now have functional tree nurseries, 15 of which were able to fell enough trees to make a profit over the past year. In addition, more than 20 species of trees are being sold in nurseries. Sixteen villages were involved in informal environmental education programs and Volunteers are currently working in more than ten primary schools on environmental education projects.

## Health

Volunteers train rural health educators and assist communities in improving local health conditions. Project objectives include education on Guinea worm eradication, the prevention of communicable diseases and malaria, the importance of vaccinations and oral re-hydration therapy, as well as other health-related problems. Peace Corps' participation in this project will phase out in 1996, when the government of Togo takes over project activities. In June 1995, Peace Corps will start a new health project designed to address motherhood and child survival techniques.

Through technical assistance from Volunteers, approximately 1,100 village-based health workers are active in 967 villages with reported cases of Guinea worm. Volunteers trained 100 primary school teachers and 90 village monitors to assist with eradicating the Guinea worm. Approximately 65,000 filters were distributed and sold in endemic villages during the past year. As a result of this project, Guinea worm cases throughout Togo from 1993 to 1994 were reduced by an average of 62%.

## AFRICA

## UGANDA

Population: 18,026,000  
 Annual Per Capita Income: \$190  
 Number of Years Peace Corps in Country: 14

**Peace Corps Country Overview:**

Twenty years of civil strife and the more recent HIV / AIDS epidemic have had devastating impacts on Ugandan society. The education system is in disarray and needs massive reform. Uganda's natural resources have been neglected and mismanaged. Civil strife and social upheaval have brought local enterprise to a standstill, especially in the manufacture and delivery of goods and services. Peace Corps is an active partner in assisting people and institutions at the grass roots level in all of these areas. With increased stability, more personal freedom and a loosening of restrictive government controls and policies, a climate for sustained economic growth is being established.

Peace Corps' Programs focus on technical education, natural resource management, teacher training, women in microenterprise development, and community health nurse training. A new project in export agriculture is also under development.

**Resources:**

Uganda	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	26	43	43
Average # of Volunteers	34	49	55
Program Funds (\$000)	1,253	1,293	1,499

**Peace Corps Projects by Sector:****Economic Development**

In its first year, Volunteers are working on a project to provide women who are caring for orphans with the business skills necessary to increase household incomes. Volunteers work with a local non-government organization, the Ugandan Women's Efforts to Save Orphans, founded by First Lady Janet Museveni. Volunteers arrived in their communities September 1994. They are assessing the need for and potential of business training for women's groups and individuals who have on-going business ventures in their areas.

**Education**

Volunteers are helping to revitalize and improve technical education at colleges and institutes in Uganda. One Volunteer proved instrumental in the rehabilitation of the electronics laboratory at the premier technical college in Uganda by collaborating with students and faculty to renovate a lab room and rehabilitate existing equipment. Other Volunteers are working at primary teacher training colleges and provide assistance in such areas as needs assessments, training, monitoring, and evaluation. In an effort to improve teacher training, three Volunteers conducted over 200 classroom visits in FY1994. Another Volunteer has established a resource center featuring prototypes of instructional materials which can be made from locally available resources at the primary teacher college where she works.

**Environment**

Volunteers on the Natural Resource Management Project work with Ugandan counterparts to assist the government in increasing the effective management and sustainable use of natural resources. Volunteers work in eight national parks and have trained 50 rangers and park guides in trail design and management, research techniques and management of gorilla and chimpanzee habits. In three parks, 70 kilometers of nature trails have been constructed. Volunteers organized an intensive interpretive training manual for guides from national parks and forest reserves. Volunteers work with schools, beekeepers and farmers to establish tree nurseries and introduce such appropriate technologies as fuel efficient stoves and solar energy projects.

**Health**

Two Volunteers work as clinical instructors to support the development and introduction of a community-based health care system and provide in-service training for 50% of Uganda's nurses. Volunteer nurse trainers provide clinical instruction on community primary health care, supervise and coordinate student nurse clinical experience, and assist in community public health clinics.

Population: 8,527,000

Annual Per Capita Income: \$370

Number of Years Peace Corps in Country: 2

### Peace Corps Country Overview:

Although the country's first multi-party election was held in 1991, Zambia has suffered from numerous economic problems, including a gradual breakdown of its economic infrastructure. With one of the world's highest per capita rates of foreign debt (35%) and a majority of the population living in rural areas, Zambia faces serious challenges in delivering basic services such as education, health care, transportation, and safe water.

Peace Corps initiatives in the most neglected, rural areas of Zambia have focused on providing basic water and health needs of the communities they work in. This is being accomplished through small, community-based projects, health education, and training of the local work force.

### Resources:

Zambia	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	12	21	21
Average # of Volunteers	6	21	30
Program Funds (\$000)	1,101	1,104	1,304

### Peace Corps Program by Sector:

#### Education

Through a collaborative effort between the Cornell University Law School, the University of Zambia and Peace Corps, two law lecturers will be assigned to the law school in Lusaka to teach courses in administrative law, international trade and investment, public international law, and constitutional law starting in February 1995.

#### Health

With the assistance of 12 Volunteers, 45 Ugandan communities have initiated Water Supply and Health Education Projects. These micro-projects include the construction and rehabilitation of traditional wells, capping of springs, construction of institutional latrines at schools and health centers, and the introduction of health education that emphasizes safe water and sanitary practices at seven secondary schools.

One key success has been the development of a community contract, developed by Volunteers and endorsed by provincial government officials, international donor agencies and local communities. This contract spells out the roles and responsibilities of outside development agents and, more critically, the communities involved in the project, thus making the community accountable for their own development. Volunteers find that project success rates are much higher when the community contract is used.

Population: 10,638,000  
 Annual Per Capita Income: \$540  
 Number of Years Peace Corps in Country: 4

### Peace Corps Country Overview:

Since achieving independence in 1980, the number of secondary schools in Zimbabwe has increased by 850%, but the country has been unable to fully staff them with qualified teachers. Zimbabwe only recently converted to a free market economy and is struggling to generate private sector jobs. Over the past four years, Volunteers have played an integral role in improving the education of the children of Zimbabwe. Volunteers provide basic business training to entrepreneurs and techniques on how to access technical assistance and credit. As a complement to efforts to increase business opportunities, Peace Corps has begun initiatives in youth development with programs designed to assist both rural and urban youth, school graduates and school dropouts.

### Resources:

Zimbabwe	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	23	38	38
Average # of Volunteers	45	64	74
Program Funds (\$000)	1,491	1,705	1,823

### Peace Corps Program by Sector:

#### Economic Development

Volunteers working in small business development provide business skills training to rural entrepreneurs and carry out business extension work in rural communities. During 1994, the first year of the project, two Volunteers developed a syllabus and implemented basic business training programs (including follow-up visits to participants) for more than 150 men and women in rural areas of Zimbabwe. Over 100 new small businesses were started as a result of their training program, creating new job opportunities for the local population.

#### Education

Since 1991, Volunteers have taught math, science, and vocational skills to over 14,000 students in rural Zimbabwe. Working together with their Zimbabwean counterparts, Volunteers have assisted rural secondary schools to set up libraries and obtain books and other educational materials from a variety of donor agencies and private individuals. Volunteers have helped in the redesign of the school curriculum by making topics more practical through the use of teaching aids developed from local resources. At Rimbi, in Southeastern Zimbabwe, one Volunteer helped two primary schools embark on profitable poultry projects that will help support school activities. Another Volunteer assisted his school in obtaining materials and financial support for the construction of both a block of science classrooms and a school library.

**Education/Youth Development**

Over the past 18 months, Volunteers have become increasingly active in projects pertaining to youth, particularly youth-at-risk. In Harare, a Volunteer played a key role in initiating a youth program called "Street Kids In Action," which has already benefited a number of the homeless children of the city. The program aims at removing children from the street by providing housing and education for 100 young adults in a half way house purchased by funds raised through local fundraising activities. Volunteers will help to increase youth activities through related projects in both rural and urban areas.

## Regional Overview

The countries of Asia/Pacific make up what is arguably the world's most economically vibrant region. Over the last three decades, a number of countries have experienced remarkable rates of economic growth and have assumed important roles in the international trading system.

But despite the region's growth, many countries in Asia/Pacific have yet to reach more advanced stages of development and face challenges similar to those in other parts of the developing world. Many countries in the region have low per capita incomes and are unable to provide economic opportunities for rapidly expanding youth populations.

Education systems lack modern facilities, and access to post-secondary education is often limited. A number of small countries in the region do not have adequate numbers of qualified math, science and English instructors, and resource shortages are particularly acute in many rural areas.

Environmental and health concerns vary within the region, but many hold potentially disastrous consequences. Rapid deforestation in some Asian/Pacific countries rivals the rate of destruction occurring in the South American rain forest. Many rural communities do not have access to basic health care, and some countries, such as Thailand, are experiencing severe problems with the spread of HIV/AIDS.



*In the Asia-Pacific region, a Volunteer helps a community build a system for piping in water.*

Volunteers are working to alleviate these problems in developing countries in the region. Peace Corps is the only U.S. presence in eight of the 13 countries where Volunteers are currently serving. While reaching a relatively small population, Peace Corps serves as a continuing indicator of American interest in supporting these island nations, which are increasingly at risk from a variety of development pressures.

## Programming Considerations

Each of Peace Corps' country programs in the Asia/Pacific region are carefully designed to meet the most pressing development issues: education, health, and environmental preservation account for approximately 75% of all Volunteer assignments. Education remains the largest sector, with Volunteers providing direct classroom instruction, teacher training, and community education.

The Asia/Pacific region emphasizes administrative policies which ensure that Volunteers receive thorough training and are placed in meaningful assignments that allow them to contribute solutions to the communities they serve. The Asia/Pacific region also places a high priority on ensuring that mechanisms and resources to support Volunteers and overseas staff are well-developed, and that program effectiveness is monitored to maximize the impact of Volunteer projects.

Finally, through an ongoing process begun in early 1994, the Asia/Pacific region is examining the changing needs of individual country programs and adjusting program size and composition to reflect current realities. The number of Volunteers in Thailand, which is presently the Asia/Pacific region's largest post, is expected to be reduced approximately 50% by 1998.

## Sector Summaries

### Agriculture

While Asia and the Pacific islands are not known for food shortages, inefficiencies in production and lack of adequate numbers of trained agricultural professionals remain important issues. Volunteers in this sector focus on increasing production by introducing modern production methods to increase yields and promote sustainable agricultural practices. Volunteers in Thailand, the Philippines, Micronesia, Fiji, and Nepal work on a variety of agricultural projects, including crop diversification, marketing, and agricultural research. In 1993, Volunteers worked on three fresh water fisheries projects in Thailand, Nepal, and Fiji, which resulted in a yield of over 160,000 kilograms of fresh fish, increased the incomes of project beneficiaries, and provided an important source of protein for local diets. Volunteers also planted over 100,000 animal fodder and food trees, diversified traditional crops in Thailand and Nepal, and conducted 600 workshops on sustainable agriculture. Innovative community development projects in the Philippines, Solomon Islands, and Papua New Guinea place Volunteers in isolated sites to improve agricultural self-sufficiency.

### Economic Development

Volunteers are actively engaged in projects designed to encourage the development of small business and microenterprises to bring economic growth and opportunity to some of the poorest communities in the Asia/Pacific region. Volunteers in Fiji, Tonga, Western Samoa, Micronesia and Palau, and Vanuatu work with development banks and other local institutions to train managers of small businesses through outreach services and apprenticeship programs. Peace Corps' projects in Western Samoa and Fiji focus on improving access to credit for women entrepreneurs. Volunteers in Tonga work with youth groups to develop income generating opportunities, while Volunteers in Mongolia are teaching English to entrepreneurs and government officials.

### Education

More than half of all Volunteers in the Asia/Pacific region serve in education projects, including math, science, English, vocational and community education. In 1993, Volunteers taught math and science to more than 6,000 students, and English to more than 9,000 students in the region. Volunteers also provided training in teaching methodologies to more than 5,000 teachers in the Asia/Pacific region.

### Environment

In addition to their efforts to strengthen environmental awareness through assignments in other sectors, Volunteers are working in nine projects in six different countries that are designed to address specific environmental problems. Volunteers in the Philippines and Thailand assist local agencies in the development and management of national parks and nature preserves. Peace Corps projects in Nepal and Thailand are improving the management and use of natural resources by supporting efforts to restore depleted forest areas, establish tree nurseries, and educate local populations about sustainable wood-cutting practices. Volunteers in the Philippines, Sri Lanka, and Micronesia promote technologies that protect and conserve fragile marine ecosystems and encourage sustainable livelihoods for coastal populations.

## Health

Volunteers serving in several Asia/Pacific countries are involved in a variety of health, nutrition, and sanitation projects. An HIV/AIDS education project that Peace Corps initiated in Thailand in 1991 has become a model for regional efforts to stem the spread of this disease. In 1994, Volunteers conducted more than 200 HIV/AIDS health and education workshops in Thailand. While Volunteers are encouraged through a regional initiative to participate in secondary activities that promote HIV/AIDS awareness, Peace Corps also respects local, national, and cultural sensitivities about this issue.

## Urban Development

Many countries in the Asia/Pacific region face mounting problems associated with rapid urbanization, population growth, and urban youth unemployment. Currently, Volunteers in Nepal are working in municipalities to help local officials develop programs in drainage control and sanitation, design land-use maps and town master plans, and identify locations for bus parks and other transportation hubs. Volunteers in the Philippines are helping provincial governments improve their development planning efforts. Volunteers in Nepal completed plans for 14 urban projects in 1993, including projects in drainage control and sanitation, public transport parks, and town master plans. In Fiji, Volunteers are working in a variety of capacities in government ministries to streamline operations and assist in strategic planning.



## Asia Pacific Region

	Trainees			Average Number of Volunteers			Program Funds (\$000)		
	FY '94	FY '95	FY '96	FY '94	FY '95	FY '96	FY '94	FY '95	FY '96
China	0	17	0	17	17	16	429	730	604
Fiji Islands & Tuvalu	53	49	48	91	93	89	1,910	1,882	1,800
Kiribati	13	14	15	23	22	23	489	514	536
Marshall Islands	17	15	15	13	17	21	667	798	883
Micronesia & Palau	34	31	31	57	57	53	1,885	1,822	1,813
Mongolia	18	24	24	39	31	37	872	1,013	1,075
Nepal	73	78	77	132	141	128	2,313	2,542	2,480
Papua New Guinea	20	48	48	78	63	62	1,852	1,955	1,946
Philippines	34	53	54	45	61	84	1,280	1,804	1,872
Solomons	18	31	31	40	54	49	1,074	1,341	1,239
Sri Lanka	34	33	33	42	44	47	904	1,010	1,050
Thailand	92	72	36	171	163	147	3,776	3,252	2,499
Tonga	24	16	37	51	44	50	1,022	935	1,060
Vanuatu	9	15	15	13	21	29	523	662	715
W. Samoa, Cook Islands & Niue	26	22	19	54	60	48	1,262	1,203	1,164
<b>TOTAL*</b>	<b>465</b>	<b>519</b>	<b>483</b>	<b>866</b>	<b>887</b>	<b>882</b>	<b>20,257</b>	<b>21,464</b>	<b>20,738</b>

\*Detail may not add due to rounding.

**ASIA PACIFIC****CHINA**

Population: 1,175,359,000  
 Annual Per Capita Income: \$490  
 Number of Years Peace Corps in Country: 2

**Peace Corps Country Overview:**

Peace Corps' pilot program in China began in June 1993. Volunteers are now teaching English in five colleges located in smaller cities of Sichuan province.

**Resources:**

China	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	0	17	0
Average # of Volunteers	17	17	16
Program Funds (\$000)	429	730	604

**Peace Corps Program by Sector:****Education**

The goal of this project is to increase the English speaking and writing language ability of Chinese in Sichuan Province. Volunteers are in the process of completing their second year of teaching English at three teachers colleges, a medical college, and an institute of animal husbandry and veterinary science. Volunteers are training future English instructors who will be teaching high school in rural areas of the province. A number of Volunteers are also involved in community-oriented projects, such as improving conditions at a local orphanage and a school for deaf children. Four Volunteers at Chengdu Teachers College organized activities for Earth Day, including lectures and discussions about environmental concerns and a student-led campus clean-up program.

Population: 759,000/9,100  
 Annual Per Capita Income: \$2,140/530  
 Number of Years Peace Corps in Country: 27

### Peace Corps Country Overview:

Increases in tourism and the production of sugar have contributed to Fiji's estimated annual growth rate of over 3% in 1994. While Fiji has a larger GNP per capita than all of its small-island neighbors, economic opportunity has not reached all of Fiji's 322 islands, particularly among the country's youth. Fiji continues to have a shortage of trained teachers in technical areas, and the quality of health care and education varies throughout the islands. While export markets for agricultural products are well-established, local market development is often deficient in rural areas. The urban population is expected to increase to 43% by the year 2000, placing new demands on municipal governments, infrastructure, and the environment. Additionally, training is often inadequate for management of rural, municipal, and provincial governments or projects for economic and social development.

The Peace Corps Fiji Office also administers the program in Tuvalu.

### Resources:

Fiji/Tuvalu	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	53	49	48
Average # of Volunteers	91	93	89
Program Funds (\$000)	1,910	1,882	1,800

### Peace Corps Program by Sector:

#### Agriculture

Volunteers work to develop and manage freshwater tilapia fish farms among rural populations for food and income generation. Their work involves pond construction and maintenance, spawning and harvesting fish, and market advising. The combined yield from fish farms where Volunteers work averaged over 9,500 kilograms each year for the last four years.

In Tuvalu, a Volunteer who serves as a Marine Fisheries Advisor is working with a local counterpart to restore local marine life and help the commercial fishing industry develop in an environmentally sound manner.

#### Economic Development

Through training and counseling services, Volunteers have provided business advice to more than 400 Fijian small business enterprises since 1993. Volunteers work with the Development Bank, Poverty Alleviation Unit, Junior Achievement, Ministry of Youth, and Department for Women and Culture to encourage economic development. One Volunteer in Vanua Levu advises women's groups on income generation activities. Another Volunteer and her counterpart have set up the Women's Social and Economic Development Program, providing credit and training for women in small business.

A Volunteer working in Tuvalu has helped in the completion of Tuvalu's airport and the construction of much needed housing on Tuvalu's main atoll.

**Education**

Volunteers taught math, science, accounting, and environment to more than 4,000 students over the last two years. Volunteers also serve as teacher trainers at the Fiji College of Advanced Education. A Volunteer biology teacher at a rural high school in Labasa constructed a sanitary facility for the school and has set up a study lab with donated computers.

**Health**

In August 1994, Volunteers began a series of health education and nutrition programs throughout the islands, and they travel to various villages as members of regional teams. One Volunteer works with Fiji's HIV/AIDS Task Force to encourage the prevention of HIV/AIDS, a growing problem in both urban and rural areas of Fiji.

**Urban Development**

To revitalize local-level public administration and strengthen the Fijians' management skills, Volunteers work as Management Planning Advisors. Volunteers travel within an assigned province organizing and facilitating management workshops, developing planning aids, and monitoring and evaluating management systems. One Volunteer works at the Ministry of Fijian Affairs training ministry staff in management practices. Another Volunteer, based at the Namosi Provincial Office, conducts urban development training programs with village leaders.

Population: 76,000  
 Annual Per Capita Income: \$710  
 Number of Years Peace Corps in Country: 22

### Peace Corps Country Overview:

The Republic of Kiribati has few natural resources, and those that exist are difficult to extract and export. People on the outer islands live a predominantly subsistence lifestyle. The poor resource base makes it difficult for the government to raise enough revenue for development programs, including education.

Although English is one of the nation's two official languages, it is not widely spoken or understood, particularly on the most remote islands, and many teachers are not familiar with English language instruction methods. Even the best primary school students who qualify to enter high school have generally poor English skills, which slows their progress throughout the rest of their education. Consequently, Kiribati finds it difficult to obtain the educated and trained work force necessary for economic development.

### Resources:

	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Republic of Kiribati			
Trainees	13	14	15
Average # of Volunteers	23	22	23
Program Funds (\$000)	489	514	536

### Peace Corps Program by Sector:

#### Education

The Kiribati Ministry of Education, Science and Technology has asked Peace Corps to help improve English education in the country's rural primary schools. The Volunteers' principal objective is to improve the English teaching skills of their teacher counterparts. Volunteers are involved in curriculum development, lesson planning, and the development of appropriate classroom materials. Volunteers have also been asked to help address the significant education staff shortages in the secondary schools. They teach math, science, English, and social studies, as well as assist in staff development and training of their fellow educators.

One Volunteer teacher trainer on the island of Butaritari conducts regular workshops to upgrade the local teachers' English teaching skills. She also follows each seminar with lesson planning and co-teaching activities, which reinforce the topics taught. This Volunteer has also established the school's first library, which is stocked with books donated from the United States. She actively participates in Peace Corps' World Wise Schools program by organizing students who write letters to a "sister school" in the United States.

Another Volunteer is head of a high school Science Department and teaches a full complement of science classes. He has acquired science equipment for the school's laboratories, and is currently developing a science curriculum, teaching aids, and lesson plans. He is designing simple laboratory experiments that can be conducted using local materials to provide students with much-needed instruction in scientific theories. This year, he plans to conduct several science fairs at neighboring elementary schools.

Population: 53,000  
 Annual Per Capita Income: N/A  
 Number of Years Peace Corps in Country: 29

### Peace Corps Country Overview:

Compared to other Micronesian countries, the average education levels of Marshallese teachers is very low. Of the 348 elementary school teachers, only 49% percent have a degree, beyond a high school diploma, and most vocational education teachers lack advanced degrees. Peace Corps presence in the Marshall Islands plays an important role in upgrading the educational levels and general teaching skills of teachers in elementary and secondary schools.

### Resources:

Republic of The Marshall Islands	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	17	15	15
Average # of Volunteers	13	17	21
Program Funds (\$000)	667	798	883

### Peace Corps Program by Sector:

#### Education

Seventy-five percent of Volunteers in the Marshall Islands work in primary education, while the remainder serve as vocational instructors at the secondary level. The majority of Volunteers in the Primary Education English Enhancement Project serve as replacements for Marshallese teachers who are attending courses to obtain associate degrees. Other Volunteers work at the Ministry of Education, developing curricula, textbooks, and related materials. One Volunteer works at the College of the Marshall Islands and is developing a program for teacher education.

Volunteers are also involved in a Vocational Education Project. They work at the nation's two public high schools to increase the number of skilled trades people and reduce the country's reliance on expatriate workers. These Volunteers replace Marshallese vocational education teachers for two years while they attend courses toward their bachelor's degree at the University of Guam. In addition, Volunteers write education curricula, develop systems for purchasing and maintaining tool and material inventories, arrange apprenticeships, and work with their counterparts to upgrade teaching skills.

One Volunteer teaches her young students how to cook nutritious meals over a wood fire and how to use manual sewing machines that are more readily available on the outer islands. She has written into the curriculum a component which encourages the use of local resources for classroom equipment that can be easily replaced or repaired.

**FEDERATED STATES OF MICRONESIA  
AND REPUBLIC OF PALAU**

**ASIA PACIFIC**

Population: 110,000  
Annual Per Capita Income: N/A  
Number of Years Peace Corps in Country: 29

**Peace Corps Country Overview:**

The Federated States of Micronesia (FSM) and Palau operate under Compact Agreements of Free Association with the United States. Economic development has proceeded slowly, and residents of the islands are heavily dependent on imported foods. This has caused a significant drain on the economy and contributed to health and nutrition problems. Although more than 50% of the people are under the age of 18, the public school system has few resources. The challenges for the FSM will most likely become more critical as the year 2001 approaches when the Compact Agreement with the United States ends.

**Resources:**

	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Micronesia and Palau			
Trainees	34	31	31
Average # of Volunteers	57	57	53
Program Funds (\$000)	1,885	1,822	1,813

**Peace Corps Program by Sector:**

**Agriculture**

Volunteers work with extension agents to develop and implement programs to combat problems of malnutrition and poor health caused by high consumption of imported foods of low nutritional value. More than 100 families have increased production of fresh meat and fruits, and approximately 600 children have benefited from a nutrition education program. A senior Volunteer works with 50 households to help them grow more of their own food. Another Volunteer has reached over 500 children through music and puppet shows teaching proper nutrition and conservation methods.

**Economic Development**

Volunteers train small business owners in management, accounting, marketing, and identifying resources for sustainable development. In Palau, Volunteers focus on entrepreneurial industries and the tourist trade. A senior Volunteer in Palau has conducted individual business counseling for over 50 entrepreneurs. Another Volunteer, in conjunction with the FSM Development Bank, holds workshops on basic bookkeeping for small business owners.

**Education**

Direct classroom teaching and teacher training in English, science, and math is Peace Corps' primary project in the FSM and the Palau. One Volunteer teaches primary English courses and has developed a physical fitness program for local students. A Volunteer on Yap trains five primary teachers as a component of their teaching internship for the University of Guam. She holds a weekly teaching seminar, focusing on classroom management and journal writing.

**Environment**

Volunteers work with local officials to demonstrate the viability of marine resource-based economic opportunities and providing training in business planning and operations. One Volunteer conducts reef surveys to track the impact of development on the reef and conducts searches for giant clam farms to increase general income for the local community. Another Volunteer works with three islanders to set up sponge farms.

Population: 2,372,000  
 Annual Per Capita Income: \$400  
 Number of Years Peace Corps in Country: 4

### Peace Corps Country Overview:

In 1989, Mongolia started the difficult transition to a market economy and has since experienced severe declines in its economic performance. Increasing educational opportunities, especially in English and business development, is a high priority for Mongolia. Peace Corps is addressing these development needs by placing Volunteers in the education and business sectors.

### Resources:

Mongolia	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	18	24	24
Average # of Volunteers	39	31	37
Program Funds (\$000)	872	1,013	1,075

### Peace Corps Program by Sector:

#### Economic Development

Volunteers in this sector work with business educators and government organizations responsible for Mongolia's privatization efforts. More than 250 students, entrepreneurs, and employees of both public and private organizations have received training and assistance from Volunteers. One Volunteer, working with the Agricultural Bank of Mongolia, has helped to develop a computerized loan system, a loan policy manual, and conversion of the bank's balance sheets based on Western accounting standards.

Two Volunteers are assisting one of Mongolia's largest universities with plans to change its curricula to meet the needs of a market economy. They are retraining Mongolian business professors, reshaping course syllabi, developing new materials, and teaching students. With their counterparts, the Volunteers have been involved in the realignment of degree and course requirements making them similar to those used by many American universities.

#### Education

This project is focused on addressing the severe shortage of qualified teachers in Mongolia. Thirty Volunteers are teaching in higher education institutions in Mongolia. Approximately 140 Mongolian teachers have participated in teacher training with Volunteers, and many now conduct their own classes in English. Volunteers teach English directly to more than 2,500 students annually. About 1,700 entrepreneurs and bureaucrats have had direct English instruction from Volunteers since 1990.

Through a Peace Corps Partnership grant from Gallaudet University in Washington D.C., the American School in the United Arab Emirate and a Volunteer is in the process of producing the first Mongol Sign Language Dictionary for 8,000 hearing impaired Mongolians.

Another Volunteer is teaching English to future business managers at the Mongolian Business Institute. This institute offers training in the basics of market economies to help facilitate their communication and trade with

**ASIA PACIFIC****MONGOLIA**

the outside world. This Volunteer, together with the staff and students of the Institute, is developing the first Mongolian business English curriculum. The project is receiving funding assistance through the joint Peace Corps-A.I.D. Small Project Assistance Program.

Population: 20,390,000  
 Annual Per Capita Income: \$160  
 Number of Years Peace Corps in Country: 33

### Peace Corps Country Overview:

The population in Nepal has increased dramatically over the last three decades from nine to twenty million. Over two-thirds of Nepal's people now live in absolute poverty, and the country has been unable to meet critical needs in health care and education. Only 8% of the people in Nepal have access to sanitation facilities, and only 39% of rural dwellers have ready access to water. Twenty-seven percent of the country's babies are born underweight. Under these conditions, life expectancy in Nepal is 52 years, and the literacy rate is only 27%. While still mostly rural, the urban population has been growing at more than 8% annually, outstripping available infrastructure and placing new pressures on local governments. The result is unsafe water, extreme air pollution, and inadequate waste disposal. Volunteers help address these challenges with work in education, health, environment, urban development, and agriculture.

### Resources:

Nepal	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	73	78	77
Average # of Volunteers	132	141	128
Program Funds (\$000)	2,313	2,542	2,480

### Peace Corps Program by Sector:

#### Agriculture

Eighty-five percent of Nepalese live in rural areas and depend on agriculture for income. In the last few years, Volunteers have helped train thousands of crop farmers, 500 fish farmers, and established dozens of test plots to increase agricultural production. Two Volunteers have introduced a new crop to Nepal—coffee—and have encouraged 50 local farmers to consider raising coffee. Three Volunteer horticulturists have worked with many families that previously raised only rice, but who are now growing enough fruit and vegetables for their own use.

#### Education

Only one-third of Nepalese youth now attend school, and most teachers are under qualified. In 1994, Volunteers trained more than 500 Nepalese primary and secondary math, science, and English teachers. In addition, one Volunteer developed a model for teacher supervision to be field-tested in the up-coming government teacher training scheduled for 1995.

#### Environment

Deforestation is causing severe soil erosion in Nepal. Over the last few years, Volunteers have helped re-plant 500 hectares of forest, train 700 people in forestry management, and form hundreds of environmental cooperatives. Recently, three Volunteers were invited by the government of Nepal to draft text on community

participation for the new National Forestry Act. Five Volunteers organized and trained 25 community management groups to care for national forestry areas.

### Health

Last year, Volunteers helped 55,000 Nepalese develop safe water supplies and trained 700 Nepalese nursing students. Volunteers also have organized mother's health/nutrition clubs and are assisting families with child spacing plans. Six Volunteers organized communities in latrine building and spring protection. Two others are assisting orphanages with storm systems.

### Urban Development

Volunteers are working to address some of the pressures brought about by rapid population growth in Nepal's urban areas. In Biratnagar, a Volunteer has helped train three Nepalese planners to complete a design and begin construction of a four-kilometer storm water drainage system. Another Volunteer in Pokhara, working with Nepalese officials, produced a five-year plan for major infrastructure renovations.

Population: 4,148,000  
 Annual Per Capita Income \$1,120  
 Number of Years Peace Corps in Country: 14

### Peace Corps Country Overview:

One of the largest and most dynamic nations in the Pacific, Papua New Guinea (PNG) is undergoing tremendous changes associated with the transition from a traditional to a modern society. With Volunteer assistance, the government of PNG is trying to improve the country's education system. Currently, the adult literacy rate is 52%, and only 59% of first grade entrants complete the primary level of schooling. There is also a shortage of trained teachers, especially in science and mathematics. Volunteers focus on secondary education and rural community development.

### Resources:

Papua New Guinea	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	20	48	48
Average # of Volunteers	78	63	62
Program Funds (\$000)	1,852	1,955	1,946

### Peace Corps Program by Sector:

#### Economic Development

The purpose of this project is to assist interested rural communities in developing self-reliance and in formulating a development plan which best serves their needs. Volunteers help communities to improve their self-sufficiency skills, raise health and literacy levels, and produce vegetables and other food crops for market. They also promote community involvement in village-based development activities by cooperating with local organizations.

A Volunteer couple working in a remote village in the Highlands area of PNG assists the people of Hagahai village with a small jewelry business. The villagers create various jewelry items, earrings, and necklaces from natural materials such as beads and plant stems. The Volunteers assist them in quality control, distribution, and marketing of the jewelry. During the past few months "Hagahai Natural Jewelry" was displayed and sold by local vendors and major hotels. Through this small business project the people of Hagahai have developed an option to earn income without dramatically harming their environment.

#### Education

Volunteers are teaching core subjects to students at the 7th through 10th grade levels in Papua New Guinea for eight years. Subjects taught by Volunteers include math, science, English, social studies, vocational agriculture, and business. Volunteers are also incorporating environmental themes into lesson plans. Volunteers participate in secondary activities in a variety of areas depending on their interests and the need of their school. In the next few years, Peace Corps plans to assist in PNG's efforts to train qualified secondary education teachers. A senior Volunteer couple in the secondary education project are teachers at a Provincial High School in a rural, lower mountainous region of PNG. In addition to their classroom duties teaching science, math, English, and social studies, they are working with students and staff on improving computer skills. Using a computer, which the Volunteers acquired from the Provincial Education Department, students and staff are developing skills using spreadsheets and word processing, as well as general typing skills.

Population: 65,775,000  
 Annual Per Capita Income: \$830  
 Number of Years Peace Corps in Country: 33

### Peace Corps Country Overview:

Rapid population growth in the Philippines—expected to reach 75 million by the year 2000—is threatening the country's natural resources, upon which 57% of the rural population directly depend. Forty percent of people in the Philippines rely on agriculture for subsistence. Fifty-eight percent of the total population is below the poverty line, but the number reaches 63% in rural areas. Deforestation and illegal logging have denuded much of the forest cover, and the pressure on marine resources has had a devastating effect on fish yields, increasing the pressure on rural people to migrate to the cities. The urban population has reached nearly 50% of the overall population, seriously straining available resources, services, and infrastructure. Volunteers help address these challenges with work in the health, environment, and agriculture sectors.

### Resources:

Philippines	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	34	53	54
Average # of Volunteers	45	61	84
Program Funds (\$000)	1,280	1,804	1,872

### Peace Corps Program by Sector:

#### Agriculture

Volunteers are working on crop extension projects on six islands, and livestock management on six others. With their assistance, local farmers have been able to increase their productivity and income. On Busing Island, a Volunteer has inoculated more than 1,500 swine against hog cholera, a disease that traditionally causes 70% mortality among swine during the rainy season. It is estimated that this project will generate as much as \$110,000 in extra income for this island community. On the northern-most inhabited island of the Philippines, one Volunteer has developed a comprehensive irrigation project that has the potential to make the entire province self-sufficient in rice production.

#### Education

A new English Language Assistance project began in January 1995 at the request of the Department of Education, Culture and Sports. Volunteers will help the government upgrade the fluency and teaching skills of Filipino English teachers at the secondary level.

#### Environment

Volunteers are working at island sites, national parks, and marine sanctuaries to encourage conservation of coastal resources and to develop management plans. One environmental assessment, prepared largely by a Volunteer on Sibuyan Island, has been presented to President Ramos by the Secretary of the Department of Environment and Natural Resources. Other Volunteers have completed marine assessments of Masinloc and

Oyon Bay that a local government is using to assess the environmental impact of a coal power plant currently under construction.

### Health

Volunteers in the Philippines are working on nine islands to extend training in health and nutrition education, and they are working on ten other islands to build or refurbish water and sanitation systems. Three Volunteers have developed rural health centers in remote island locations. Volunteer physicians and nurses now staff these centers in areas where some people have previously never seen a trained health worker.

Population: 346,000  
 Annual Per Capita Income: \$750  
 Number of Years Peace Corps in Country: 24

### Peace Corps Country Overview:

Solomon Islands is a nation of 5,000 villages on 350 small, scattered islands in the South Pacific. It is rural, with 91% of the population living in the hinterlands. Nearly half of Solomon Islands' population is 15 years old or younger, and the population growth rate is a relatively high 3.3%. The adult literacy rate is 24%, one of the lowest among the various Pacific island-nations. In response to the efforts by the Solomon Islands government to improve the access to and quality of education and training programs, Peace Corps has focused its programming on formal and non-formal education.

### Resources:

	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Solomon Islands			
Trainees	18	31	31
Average # of Volunteers	40	54	49
Program Funds (\$000)	1,074	1,341	1,239

### Peace Corps Program by Sector:

#### Education

In order to strengthen both formal and non-formal education, Volunteers help fill a shortage of qualified teachers and provide academic and vocational instruction to students in remote secondary schools. Subject areas include math, science, business studies, and environmental education. Volunteers are also assigned to vocational boarding schools designed for students who do not pass the examination necessary to advance to the secondary school level. The curriculum at these schools focuses on practical instruction in subjects such as small engine mechanics, woodworking, agriculture, crafts production, and small business management.

A Volunteer assigned to the Tasia Rural Training Center teaches first and second year English, business studies, and home economics. In addition to her teaching duties, the Volunteer conducts first aid courses, teaches weekly classes entitled "Women and Money" through the Mother's Union, works with the Buala Hospital on family planning workshops, and assists in adult literacy classes.

Volunteers also work with local governments and village residents on rural development problems: community development, water, sanitation, health, nutrition, small enterprise development, and community education. Volunteers are placed in government centers and rural sites to assist local leaders in the formulation and implementation of development plans that are culturally, economically, and environmentally sound. To allow for adaptation of project goals to unique community needs, the scope of this project is broad.

Two Volunteers assigned to this project have established a rural training center and are responsible for organizing and managing its use. The center is used for community classes and workshops including kindergarten classes, literacy classes, small business workshops, and women's club activities.

Population: 17,622,000  
 Annual Per Capita Income: \$600  
 Number of Years Peace Corps in Country: 17

### Peace Corps Country Overview:

Although Sri Lanka has experienced a rapid economic growth rate of 5% over the last several years, the country faces a number of important challenges. The population has nearly tripled—from six to seventeen million—in the last 45 years, and it may reach 20 million by the year 2000. One-third of all Sri Lankans are under the age of 15. This will have a major impact on future needs for infrastructure, education, and employment in Sri Lanka. Forty-nine percent of the population is employed in agriculture, and 80% still live in rural areas. Only 50% of Sri Lankans have access to sanitation, and 40% still lack access to safe drinking water. Volunteers help address these challenges with work in the education, environment, and agriculture sectors.

### Resources:

Sri Lanka	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	34	33	33
Average # of Volunteers	42	44	47
Program Funds (\$000)	904	1,010	1,050

### Peace Corps Program by Sector:

#### Agriculture

Volunteers currently work in 22 small communities around Sri Lanka, helping rural farmers become more self-reliant through community development and small business activities. Two Volunteers in Tangalle are teaching basic bookkeeping skills, organic gardening techniques, and the safe use of pesticides. With their assistance, villagers have repaired irrigation canals, started cash crops in cashews, chilies, and other vegetables, and have developed businesses in brick making and rope making. Volunteers in the Negombo area applied for and received a Farmer-to-Farmer consultant who trained local farmers in improved okra production. This has led to the start of a new cooperative to grow and market okra.

#### Education

English is important in Sri Lanka, not only as the language of international commerce, but also as a critical bridge between its two major ethnic communities. During the past 11 years, Volunteers have helped train 15,000 student-teachers in English. A recent survey indicates that over 80% of these Sri Lankans are still actively engaged in the field of education.

One Volunteer develops modern English teaching methods and, in collaboration with another teacher, has formed a local club for students to encourage English communication outside the class. In Anuradhapurna, where Volunteers interact with 175 future English teachers daily, one Volunteer conducted an English speech contest for the students. Approximately 98% of the students participated in the speech contest, which reflects the comfort that these future teachers have in their command of English.

### Environment

Peace Corps' efforts to assist in the Environment sector only began recently. Volunteers now work directly with the National Mangroves and Coastal Habitat Conservation fund, a non-governmental organization, to aid in the conservation of the mangrove habitats in Sri Lanka. Volunteers in the Iranawila area are setting up a central data collection station for mangroves and coastal habitats that will be the first of its kind in Sri Lanka. Volunteers are also working on public awareness campaigns to teach Sri Lankans about the fragility of the local marine ecology.

Population: 58,824,000  
 Annual Per Capita Income: \$2,040  
 Number of Years Peace Corps in Country: 33

### Peace Corps Country Overview:

Thailand's development record over the past decade has been impressive, but progress in poverty alleviation has been uneven. While the per capita annual income has doubled in the last decade, more than nine million people, primarily rural, remain poor. Of the current labor force, only 20% has more than a primary school education. Although numbers vary, current predictions are that by the year 2001 Thailand will have 125,000 HIV carriers, including 100,000 children, and nearly one million AIDS sufferers. It is expected that 75,000 children alone will die from HIV/AIDS-related illness in the next six years. Environmental issues have also become a primary focus for Thailand. In recent years deforestation, soil erosion, air pollution, coastal zone degradation, and contamination of water sources have worsened.

### Resources:

Thailand	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	92	72	36
Average # of Volunteers	171	163	147
Program Funds (\$000)	3,776	3,252	2,499

### Peace Corps Program by Sector:

#### Agriculture

Volunteers provide technical advice to farmers and villagers and assist in developing educational programs and wildlife research projects. Many of the projects in this sector encourage income generation at the village level and efficient use of natural resources. Last year, Volunteers provided various training projects in integrated pest management, aqua-culture, alley cropping, and park interpretation. Volunteers also facilitated construction of 72 nursery fish ponds, 24 spawning stations, as well as 23 tree nurseries that provided more than 85,000 tree seedlings to farmers.

#### Education

Volunteers serving in a "Teaching English/Crossover" project are assigned to small, rural junior high schools. Last year Volunteers taught English to more than 5,400 students, trained 135 Thai teachers of English, and "crossed-over" to other courses in the academic curriculum and community based projects in a variety of ways.

One Volunteer launched an "Eyeglass" project when he discovered that the slow response of several of his brightest students was a result of poor vision. He raised more than \$1,200 through private and corporate donations in Thailand, which made it possible for more than 20 students to receive eyeglasses. The efforts of another Volunteer have led to the creation of a baseball league for local students and donations of equipment from an American corporation.

## Health

In the health sector, Volunteers work to eradicate malnutrition, prevent the spread of HIV / AIDS, and control the spread of malaria and filariasis. Volunteers work closely with village level health workers who develop and deliver health-care programs to promote community participation in addressing these issues. Last year, more than 250 training sessions were conducted which focused on nutrition, HIV prevention, and mosquito borne infections. Volunteers also helped in the construction and furnishing of two child care centers, and initiated a number of school lunch programs.

A Volunteer working in the Loei District Hospital as a nutrition extensionist recently completed an "education/development room" to be used by children and their parents while waiting for appointments. Another Volunteer recently organized an HIV / AIDS education training program for primary school teachers.

Population: 93,000  
 Annual Per Capita Income: \$1,610  
 Number of Years Peace Corps in Country: 28

### Peace Corps Country Overview:

Although Tonga's gross domestic product has improved modestly in recent years due to increases in agriculture exports, construction, and tourism, the country still faces problems similar to those of other small island-nations. Industrial and agricultural development is depleting already limited natural resources and degrading topsoil, rain forests, coastal coral reefs, and fresh water supplies.

Education issues pose additional challenges. A chronic shortage of secondary teachers, especially in science, makes it difficult to prepare enough Tongans for positions in education, health care, and other technical fields. Tongans also must learn to speak English, which is the principal language in four of Tonga's top five trading partners, to compete in the South Pacific market. Tonga also faces a growing youth population—over half of the population is now under 18—with few educational and career opportunities.

### Resources:

Tonga	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	24	16	37
Average # of Volunteers	51	44	50
Program Funds (\$000)	1,022	935	1,060

### Peace Corps Program by Sector:

#### Economic Development

Several Volunteers work as small business advisors and accountants for the Tonga Development Bank (TDB), the Cooperatives Federation, and the Ministry of Labor, Commerce and Industries. Volunteers helped develop business plans, accounting systems, and marketing strategies for 150 businesses and 350 employees last year. One Volunteer is working on implementing audit recommendations for the TDB, while another established the first internal auditing section for any development bank in the South Pacific.

#### Education

Volunteers provided science instruction to more than 3,400 students in the last three years. Other Volunteers work as English teachers/trainers and are involved in implementing a new national primary literacy curriculum. Two trainers have developed a comprehensive course in methodologies for teaching English for primary teachers in Vava'u, the middle island group of Tonga. Volunteers in the other island groups have begun work on duplicating this course for more teachers.

#### Education/Youth Development

Peace Corps will begin a new youth development project in Tonga in FY96. Currently, one Volunteer works with the Longolongo Youth Department in Nuku'alofa organizing sporting events and coaching teams in rugby and other activities.

### Environment

Volunteers currently work as environmental officers with youth groups and associations. Last year, over 1,000 students participated in environmental activities conducted by Volunteers. An alternative energy Volunteer works in the planning unit, installing solar panels in Vava'u. Another Volunteer, assigned to the Tonga National Youth Congress, organized a series of environmental education workshops and events for 500 secondary students. One Volunteer has established the environmental education program for the Tonga National Bird Park in rural Tongatapu, which includes field trips to the park, competitions and other events, and fund-raising for preservation activities.

Population: 161,000  
 Annual Per Capita Income: \$1,230  
 Number of years Peace Corps in Country: 5

### Peace Corps Country Overview:

The Republic of Vanuatu is an archipelago of over 80 islands located in the South Pacific. Population is growing at a relatively high rate of 2.4% per year. There are insufficient educational opportunities for children and a shortage of trained teachers. Many youth lack the skills necessary to find employment, and many more are forced out of the educational system because of a shortage of spaces at the secondary and higher levels. Vanuatu is beginning to grapple with the problems associated with managing environmental resources, such as logging of rain forest areas, which cover 75% of its land area. In addition, 80% of the population lives in remote areas and lacks access to many basic health services.

Volunteers serving in Vanuatu work in secondary education and small business development. Plans are underway to begin forestry and health programs in 1996.

### Resources:

Vanuatu	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	9	15	15
Average # of Volunteers	13	21	29
Program Funds (\$000)	523	662	715

### Peace Corps Program By Sector:

#### Economic Development

In conjunction with the Development Bank of Vanuatu (DBV), Volunteers help local entrepreneurs develop and gain financing for micro-enterprise ventures and provide training in accounting and other business skills. They also deliver on-the-job training in project appraisal, supervision, and monitoring to DBV employees at branch offices. In 1994, the first Volunteer computer specialist was recruited for the DBV. She is working to upgrade the computer system of the Bank and to train the local staff in operating and maintaining the system.

#### Education

Vanuatu is experiencing a shortage of secondary school teachers in various subject areas. Volunteers serve as skilled educators in math, science, industrial arts, and business studies. As an alternative to secondary schools, Rural Training Centers (RTCs) were established in 1976 to address the problem of limited access for young people to higher educational opportunities. The purpose of the training centers is to provide basic practical skills to dropouts so they can improve their living standards after they return to their villages. Volunteers provide vocational training in subjects such as carpentry, plumbing, electrical wiring, and wood-working.

One Volunteer has been teaching business studies at Malepoa Senior Secondary School in Port Vila for the past year. To give her students practical experience, she has organized the creation of a student-run school canteen. Students are responsible for all aspects of operating the canteen, including contacting suppliers, negotiating prices, bookkeeping and accounts reconciliation, and coordinating work schedules. Proceeds from the store were used to purchase three new computers for the school computer lab.

A volunteer at Torgil Rural Training Center on the island of Ambae has undertaken a project to rebuild the carpentry workshop. This will allow the students to increase their practical experience in building furniture and other items that are sold in the local community. The profits go toward purchasing more wood, nails, paint, varnish and other items needed to keep the workshop going. The students are gaining valuable work experience and learning about marketing concepts while selling their hand-made items.

Population: 163,000  
 Annual Per Capita Income: \$980  
 Number of years Peace Corps in Country: 28

### Peace Corps Country Overview:

While Western Samoans have made significant improvements in recent years, over half of the rural population lives in poverty. Cyclones in 1990 and 1991 caused setbacks in agricultural, industrial, and infrastructure development. A recent taro blight has destroyed much of the country's staple food supply, as well as its second largest export (behind coconut oil). Western Samoans have difficulty maintaining a balanced diet, given the decrease in taro production, the lack of nutritional variety, and the increased consumption of prepared, imported foods.

While Western Samoa has a reported 98% literacy rate, educational opportunities remain limited in some areas, and there is a shortage of qualified teachers, especially in math and science. In Apia, student-teacher ratios can be 70-1. The lack of educational and employment opportunities, emigration of skilled Samoans, and a growing youth population has made youth development a major challenge.

Peace Corps Western Samoa also administers programs in Niue, Peace Corps' newest program in the Asia Pacific Region.

### Resources:

	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Western Samoa/Niue Cook Islands			
Trainees	26	22	19
Average # of Volunteers	54	60	48
Program Funds (\$000)	1,262	1,203	1,164

### Peace Corps Program by Sector:

#### Economic Development

Volunteers work with staff of Western Samoa's Development Bank to provide training and management advisory services to the managers of businesses. One Volunteer works with entrepreneurs in arrears to revitalize their businesses and repay their loans to banks. In addition to his daily business advisory work, another Volunteer uses his computer expertise to advise the bank in its computerization of systems. He also advises the Water Authority on its conversion to computers.

In Niue, Volunteers focus their efforts on strengthening the private sector and developing the island's infrastructure. Included in the first group of Volunteers, who arrived in November 1994, are an adviser to the newly established Development Bank of Niue, a trainer who teaches accounting skills to governmental departments, and a mechanic for heavy equipment at the Public Works Department.

### Education

Volunteers are now teaching over 1,100 students per year in science, including environmental education, and business studies at senior secondary schools. A teacher-training component has been added to develop Western Samoa's ability to provide qualified instructors, and last year over 100 teachers received training from Volunteers. Volunteers also teach skills in motor mechanics, metalwork, and woodworking to youth 15-25 years old. A Volunteer lecturer at the Teachers College has developed and taught an Educational Studies course for secondary level teacher trainees. Another Volunteer teaches welding and metal shop at the Don Bosco Youth and Technical Center in Apia.

### Health

The government of Western Samoa identified primary health care as one of its top priorities, and is beginning to focus resources on nutrition and dietary education. Volunteers are assigned to the Nutrition Center of the Health Department as Health Educators, and also maintain a large vegetable garden for distribution of produce and seeds. One Volunteer trains health professionals and offers free exercise classes to the public. Another Volunteer works at the Diabetes Center, providing counseling and training to patients.

### Non-Project Assignments

One Volunteer is assisting the Treasury Department in the privatization of state-owned enterprises. Another works as an agricultural educator at the University of the South Pacific. One Volunteer utilizes a computer to teach children with a variety of learning disabilities and special needs. Two Volunteers work as coordinators for Women-in-Development programs.

## Regional Overview

The countries that compose the Europe, Central Asia, and the Mediterranean (ECAM) region have become one of Peace Corps' most promising opportunities for strengthening economic and social development. Encompassing many of the former Soviet bloc countries, Tunisia, and Morocco, the ECAM region has initiated new programs in 18 countries since 1990. Over the last four years, Volunteers have come to play an important role in the continuing international efforts to sustain and support the difficult transition to democracy and free market economies.

Peace Corps' initial experience in the countries of the former Soviet bloc was not unlike those of other international development organizations and donor nations that sought to provide advice and assistance in the early months of 1990. Volunteers faced unfamiliar challenges in societies that had long been closed to Americans and were undergoing social, political, and economic upheavals. Peace Corps, however, has since taken steps to ensure that Volunteers are fully supported in these challenging assignments. Training, programming, and staff support have all been significantly improved.

To date, nearly 2,000 Volunteers have served in Eastern Europe, Russia, Ukraine and other former Soviet republics. These Volunteers have lived and worked in communities, learned languages, and provided assistance that has been of direct benefit to ordinary, struggling citizens. For instance, Volunteers have established more than 100 business centers that provide technical assistance and advice to hundreds of new entrepreneurs on how to run small businesses. Volunteers offer advice and assistance to local, regional and national governments on how to strengthen new banking, securities, and agricultural industries.



*In Russia, PCV Cheryl Hanlsey inspects bread coming off the line at the factory where she works as a business advisor.*

Peace Corps also played an important role in building new education systems in former Soviet bloc countries: ECAM Volunteers make up the largest number of Teachers of English as a Foreign Language program in this part of the world. Over the last 5 years, Volunteers have taught English—the language of international business and commerce—to more than 100,000 students in classrooms throughout Eastern and Central Europe and the former Soviet Union.

Many countries in Eastern and Central Europe and the former Soviet Union have been ravaged by environmental degradation. Environmental problems are posing obstacles to economic development that raise serious public health concerns. Volunteers are working with communities and new non-governmental organizations to strengthen the public's awareness of the importance of appropriate environmental protection programs, expand environmental research, and support efforts to restore those areas most affected by years of neglect.

Peace Corps programs in Tunisia and Morocco constitute one of the best sources of interaction between Americans and the Arab world. While they are more mature, our programs in North Africa mirror those in the rest of the region by addressing critical development problems. In Morocco and Tunisia, Volunteers focus on women's health, youth development, rural agriculture, and environmental protection.

### Programming Considerations

After careful consideration, Peace Corps believes that sufficient progress has been made in several ECAM countries that will allow Volunteers and resources can be diverted to more pressing needs in other countries in the future. Therefore, Peace Corps intends to phase out its program in the Czech Republic in 1998. Plans are also being developed to phase out Peace Corps' programs in Hungary and Estonia soon thereafter.

At the same time, Peace Corps shares the view that the transition to democracy and free market economies in many ECAM countries is by no means complete or assured. Volunteers are well-positioned to make continuing contributions at the grassroots level to the reform process in these countries.

### Sector Summaries

#### Agriculture

Volunteers in Tunisia and Morocco work mainly in two agricultural fields: animal husbandry and agricultural economics. Rural-based Volunteers teach farmers and ranchers new farming and herd management techniques that increase efficiency and protect the environment from overgrazing. In one of Peace Corps' newest endeavors, Volunteers are working in Morocco to establish a research and data collection system throughout the country to assess progress and problems in agricultural production and management. This project is designed to support Morocco's efforts under the GATT to increase the quality of its agricultural exports. Volunteers are directly engaged in carrying out field surveys as a means of introducing appropriate field survey and analysis techniques. In 1995, Agribusiness Volunteers in Saratov, Russia, and Armenia will be working with farmers as they establish newly privatized farming enterprises.

#### Economic Development

While highly educated and well motivated to pursue market development, the nations of Eastern and Central Europe and the former Soviet Union have lacked both the institutions and background to generate broad-based business development. To support the transition to free market economies, Volunteers are working in business centers throughout the region, providing badly needed information and advice to newly privatized businesses and individual entrepreneurs. They are helping banking industries to structure commercial credit services, and teach business and entrepreneur development courses in a variety of educational institutions. Volunteers are also working as municipal advisors to local governments in economic restructuring and strengthening the public sector institutions. In Poland, Volunteers provided significant assistance to the Ministry of Privatization in its national privatization effort. They also assisted large state industry plants with structural and organizational changes. Volunteers constitute a critical network throughout the region, linking local business and development institutions to outside sources of expertise and investment.

#### Education

Over the last five years, the demand for English language education has increased dramatically in the ECAM region. Peace Corps has placed over 1,000 Volunteers as English teachers in secondary schools throughout the region where they work closely with Ministries of Education to develop teaching methods and curricula for students and educators. With English becoming the language of international business and commerce, Volunteers are providing more advanced levels of English language programs for business entrepreneurs and government officials as they seek to expand their contact with the international community.

Volunteers also have introduced new teaching techniques, established libraries and resource centers for students, and participated in local community activities, such as English language radio and TV programs, and theater productions in orphanages. Volunteers are also working in teacher training colleges to help prepare future teachers of English.

## Environment

At the request of host countries, the ECAM region continues to expand its environmental protection and clean-up programs. Volunteers work with engineers, chemists and other technicians to address the consequences of years of environmental neglect. Volunteers are also continuing to work with new non-governmental organizations to conduct research, disseminate information, and enhance the public's awareness of environmental problems. Volunteers will begin a new program in Russia in 1995, that will focus on environmental education, reforestation, and other environmental issues. This year a new forestry program will begin in Albania where Volunteers will work with farmers to establish tree nurseries and develop plans to replenish Albania's depleted forests.

## Health

Maternal and child health remains a critical problem in the rural parts of North Africa. Peace Corps' role focuses on local health delivery systems and the training of practitioners. For example, Volunteers in Morocco work in local health clinics to educate health providers and mid-wives in pre-natal care, proper sanitation, and treatment of diarrhea and parasitic infections.

## Area of Special Emphasis: Youth Development

Volunteers work with local governments in Tunisia and Morocco to develop youth centers in urban and rural areas with large numbers of disaffected or unemployed youth. These centers, recently expanded to include mobile units that provide outreach activities for youth in less populated areas, provide educational and recreational services to draw the youth. In Romania, Volunteers are providing critical social work services to the country's efforts to address the large numbers of orphans and street children. This program, introduced in 1992, has now grown into a national strategy to redevelop the social work profession in Romania. Volunteers work with the national university system in curriculum development, teaching and implementing a field training system for undergraduate students. Working with nonprofit agencies, Volunteers are also helping working families with handicapped children. The strengthening of Romania's newly formed private social agencies is a major by-product of this field work.



## ECAM Region

	Trainees			Average Number of Volunteers			Program Funds (\$000)		
	FY '94	FY '95	FY '96	FY '94	FY '95	FY '96	FY '94	FY '95	FY '96
Albania	28	40	40	28	36	59	1,138	1,349	1,550
Armenia	20	33	34	27	27	41	1,060	1,213	1,382
Baltica*	57	85	87	104	106	116	2,547	2,639	2,892
Bulgaria	24	24	24	38	41	38	1,167	1,196	1,053
Czech Republic	54	52	53	72	65	77	1,915	1,644	1,659
Hungary	47	47	23	108	98	90	2,308	2,241	1,892
Kazakhstan	54	75	77	49	86	120	1,719	1,962	2,089
Kyrgyz Republic	31	33	34	23	43	52	998	1,128	1,209
Moldova	28	33	34	21	39	50	871	994	1,114
Morocco	67	73	75	102	121	124	2,501	2,548	2,574
Poland	101	103	105	164	176	189	3,566	3,595	3,605
Romania	37	38	38	39	56	66	1,331	1,362	1,391
Russia/Moscow	0	0	0	0	0	0	182	225	242
Russia/Saratov	31	38	38	36	45	64	1,351	1,528	1,659
Russia/Vladivostok	18	28	29	31	23	35	1,139	1,179	1,265
Slovak Republic	28	34	34	21	55	59	1,004	1,251	1,270
Tunisia & Malta	50	47	50	61	78	82	1,651	1,814	1,912
Turkmenistan	49	46	28	23	44	50	1,268	1,231	1,232
Ukraine	41	76	77	70	84	120	1,766	2,277	2,439
Uzbekistan	30	28	29	29	28	38	1,135	1,132	1,199
Yemen	0	0	0	28	0	0	765	10	0
<b>TOTAL**</b>	<b>795</b>	<b>933</b>	<b>908</b>	<b>1,076</b>	<b>1,250</b>	<b>1,466</b>	<b>31,282</b>	<b>32,518</b>	<b>33,629</b>

\* Includes Estonia, Latvia and Lithuania.

\*\* Detail may not add due to rounding.

Population: 3,421,000  
 Annual Per Capita Income: \$340  
 Number of Years Peace Corps in Country: 3

### Peace Corps Country Overview:

Albania remains the most impoverished country in Eastern Europe. Approximately 60% of the population is involved in agricultural production. While most of the land has been privatized, many farmers cannot afford seeds, fertilizers or other inputs. Albania's poor economic infrastructure—transportation, communication, electricity—poses significant obstacles to economic and small business development.

### Resources:

Albania	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	28	40	40
Average # of Volunteers	28	36	59
Program Funds (\$000)	1,138	1,349	1,550

### Peace Corps Program by Sector:

#### Economic Development

Volunteers in this sector have worked almost exclusively in Regional Business Agencies, which are centers organized by the European Community to assist in the development of small and medium-sized enterprises in Albania. Volunteers are assisting in the establishment and management of these centers, and providing basic training to local entrepreneurs. In cooperation with other area institutions and organizations, Volunteers organize and conduct training programs on cash management, accounting, marketing, transportation, advertising, and tourism.

Recently, Volunteers have been assigned to work with Albania's Rural Commercial Bank to help reform the bank's operating, accounting, and credit practices. During the last year Volunteers assisted more than 700 businesses in Albania. Volunteers also started a Business Club and a Women's Business Association.

#### Education

Albania's new government has declared English the "official foreign language" and implemented experimental immersion programs in a number of elementary schools. Volunteers arrived over two years ago and have worked with more than 60 Albanian English teachers in 15 schools throughout the country, offering advice and instruction on lesson planning, textbook usage and student-centered methodology. Volunteers have organized English Teachers Associations, which have provided more than 115 Albanian English teachers with improved instruction methods. In addition, Volunteers have taught English to over 4,500 Albanian secondary level students. Volunteers have also initiated a number of alternative secondary projects, including establishing Albania's first private radio station, procuring over 2,200 books at four schools, and refurbishing classrooms.

#### Environment

An increase in the use of wood for fuel and construction has contributed to the degradation of local natural resources in some areas of Albania. Volunteers are conducting a project which focuses on building an agro-forestry extension capacity within the Albanian Forest Service, and teaching improved agro-forestry techniques to local farmers.

Population: 3,731,000  
 Annual Per Capita Income: \$660  
 Number of years Peace Corps in Country: 3

### Peace Corps Country Overview:

Armenia has embarked on an ambitious program to develop a free market economy and has begun the process of privatizing state-owned companies. Private sector activities are beginning to emerge, but many Armenian entrepreneurs need training in business marketing and management. Armenia is also struggling to strengthen English language programs in its education system, which is suffering from a lack of resources and teaching materials in secondary schools, vocational schools, and universities.

### Resources:

Armenia	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	20	33	34
Average # of Volunteers	27	27	41
Program Funds (\$000)	1,060	1,213	1,382

### Peace Corps Program by Sector:

#### Economic Development

Volunteers are working with local, regional, and central governments in three general areas: privatization of state industries, assistance to small farmers, and overall regional economic development. Their activities include developing policies to strengthen business opportunities and helping farmers develop small agro-business associations and co-ops. Two Volunteers helped establish the first independent radio station in Armenia. The station broadcasts news, music, and educational programming to a population of 1.5 million in the Yerevan area. Eleven Volunteers have trained students for Junior Achievement activities.

#### Education

Struggling with poor educational resources and a shortage of properly trained English teachers, the Armenian government has placed English education near the top of its development priorities. Volunteers have responded by providing Armenian secondary school teachers with seminars, small group training and team-teaching in the classroom. Volunteers also provide classroom instruction to Armenian secondary school students and helped coordinate Armenia's first English Language Teachers' Conference in June 1994.

Population: 8,459,000  
 Annual Per Capita Income: \$1,160  
 Number of Years Peace Corps in Country: 4

#### Peace Corps Country Overview:

The post-communist Bulgarian economy has encountered significant challenges since 1990. Former Soviet and Warsaw Pact markets—upon which the Bulgarian economy was dependent for both imports and exports—disappeared. Inflation and unemployment rose sharply, and shortages of food and fuel became widespread. In an effort at revitalization, the government declared its support for a transition to a market-oriented system and began a far-reaching program of denationalization, privatization, and improving the country's education system.

#### Resources:

Bulgaria	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	24	24	24
Average # of Volunteers	38	41	36
Program Funds (\$000)	1,167	1,196	1,053

#### Peace Corps Program by Sector:

##### Economic Development

Volunteers work with owners and entrepreneurs to provide business skills training and resource information. Most of the Volunteers are assigned to one of eleven Business Centers throughout the country. Each Volunteer works with a Bulgarian counterpart and one or more interns to facilitate communication between business people. During the past year, over 240 new clients were assisted by the Centers. A total of 1,500 customers, including repeat customers, were serviced this year. Volunteers also conducted 88 business administration seminars.

##### Education

During the past year, Volunteers taught English to over 3,000 Bulgarian students in 18 schools. A number of Volunteers have established English Clubs for students, which encourage a broader understanding of American culture through discussions, movies, sports events, and guest speakers. Volunteers are also responding to the need for modern education materials by developing and procuring new materials, texts and video and computer equipment. Volunteers have established 12 school resource centers.

##### Environment

Volunteers are starting a new environmental program in Bulgaria in 1995. They will be working in the municipal planning office or with local non-governmental organizations to provide local authorities and communities with advice on environmental management and education.

Population: 10,323,000  
 Annual Per Capita Income: \$2,730  
 Number of years Peace Corps in Country: 5

### Peace Corps Country Overview:

The Czech Republic's transition to a market economy has been rendered significantly more complex by its split with Slovakia. But the government remains committed to economic reforms and continues to solicit international assistance in its efforts to privatize and liberalize its economy. Due to the Czech Republic's impressive economic performance, the Peace Corps program is now scheduled to be phased out by the end of FY98.

### Resources:

Czech Republic	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	54	52	53
Average # of Volunteers	72	65	77
Program Funds (\$000)	1,915	1,644	1,659

### Peace Corps Program by Sector:

#### Economic Development

Volunteers serve as advisors to regional business centers, municipalities, and non-governmental organizations to assist in the development of an effective business support network throughout the Czech Republic. Volunteers conduct workshops and seminars on a range of business topics for students and business people, provide one-on-one consultancy to Czech entrepreneurs, and train Czech counterparts in Western supervisory, consulting, and training techniques.

Volunteers have worked with Junior Achievement, served as guest lecturers in secondary schools, and written a Czech supplement to the American-based economics textbook used by Czech high school students. Other Volunteers have utilized their own particular expertise and interests by working with an independent radio broadcasters' association and a business women's organization.

#### Education

Volunteers provide English language instruction in secondary schools, teacher training colleges and universities throughout the country. Volunteers at the college and university level often provide methodological guidance as well. They routinely carry out a variety of tasks, including developing of faculty members' linguistic competence, sponsoring English clubs, giving lectures on American culture, and establishing resource centers and libraries.

Volunteers are also involved in secondary projects. Among the most successful are a project which gave Czech nurses and doctors the opportunity to study in the United States, student exchanges with other European countries, and the development of an environmental curriculum which has been integrated into the national Czech English language curriculum.

**Environment**

Volunteers help promote environmental protection activities and public participation in decision-making. They assist non-governmental organizations and local agencies to develop long-range strategic plans, improve office efficiency, and increase employee productivity. Urban Planning Volunteers work in the most polluted areas of the Czech Republic, assisting in the development of local and regional-level recovery plans. Volunteers also provide assistance in environmental education, public relations, implementation of geographical information systems, and the preparation of management plans. Volunteers assist non-governmental organizations in management training, strategic planning, public participation campaigns, and in establishing information centers. One Volunteer authored a 120-page manual of environmental activities for use with non-native speakers of English. Another Volunteer designed an environmental recovery plan adopted by the regional government of northern Bohemia.

Population: 1,546,000

Annual Per Capita Income: \$3,040

Number of Years Peace Corps in Country: 3

### Peace Corps Country Overview:

Although Estonia has undergone remarkable political and economic changes during the last several years, the country continues to face a number of critical challenges. As privatization of state enterprises and farms continues, rural areas of Estonia are experiencing dramatic increases in unemployment and a decline in their standard of living. Estonia is also working to improve and expand access to English language programs in its education system, which suffers from a lack of trained English teachers.

### Resources:

Estonia	FY 1994	FY 1995	FY 1996
	Actual	Estimates	Estimates
Trainees	19	28	29
Average # of Volunteers	34	35	38
Program Funds (\$000)	849	879	964

### Peace Corps Program by Sector:

#### Economic Development

Volunteers are working to build small enterprise capacity in Estonia's rural areas by providing advice to newly-privatized businesses and entrepreneurs. They also provide planning assistance to economic development units of municipal governments and business advisory centers. One Volunteer helped the Estonian Timber Producers Union make overseas contacts in an effort to increase exports. As a result, three timber companies reached trade agreements with foreign companies.

#### Education

Volunteers are assisting the Ministry of Culture and Education's efforts to increase access to English language instruction in Estonia. They teach English to students at the secondary school level, work with Estonian teachers to enhance their English language proficiency and teaching skills, increase teaching resources, and promote community activities.

Population: 10,280,000  
 Annual Per Capita Income: \$3,330  
 Number of years Peace Corps in Country: 5

### Peace Corps Country Overview:

Hungary has initiated a program designed to accelerate privatization of the country's economy, control inflation, and fully convert the national currency. However, high levels of inflation and unemployment, as well as a large external debt, have forced Hungary into an austerity program that has caused sharp reductions in food and housing subsidies. Peace Corps is working to ease this transition by providing Volunteer assistance in economic development, education, and environment.

### Resources:

Hungary	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	47	47	23
Average # of Volunteers	108	98	90
Program Funds (\$000)	2,308	2,241	1,892

### Peace Corps Program by Sector:

#### Economic Development

Volunteers are assisting the growth and development of small and medium enterprises by serving in Local Enterprise Agencies, municipal governments and local chambers of commerce. Volunteers help build the institutional capacity of staff and local entrepreneurs by conducting training and technical seminars on a variety of topics, such as basic business concepts, banking, trade and marketing, resource acquisition and management, business English, and development of networking and communications skills.

One Volunteer is working on a major project to open Hungary's borders to trade with Slovakia and Ukraine. Another Volunteer's business education classes were so successful that a local college created a separate Business Department to manage the growing demand among students to attend the classes.

#### Education

Volunteers teach English and train Hungarian teachers of English in primary, secondary and teacher training institutions. All Volunteers are involved in outreach programs to help teachers expand their conversational abilities and develop confidence and professional skills in English. Volunteers also initiate development projects in their schools or communities. One Volunteer serves as a primary-level English teacher and is one of the main organizers of the National Drama Festival, which brings together the talents of over 1,000 Hungarian students each year.

#### Environment

To address Hungary's serious environmental problems, Volunteers are helping municipal governments and non-governmental organizations throughout the country develop realistic goals and programs for environmental protection. One Volunteer helped establish a unique Hungarian quarterly publication devoted to issues of environment, minorities, economic development, and civil society in the Tisza River basin. Another Volunteer works in a mayor's office to implement environmental improvement projects, including hazardous waste management and a public participation campaign to clean up the local canal.

Population 17,169,000  
 Annual Per Capita Income: \$1,540  
 Number of years Peace Corps in Country: 2

### Peace Corps Country Overview:

Kazakhstan is one of the former Soviet republics in Central Asia that is most dedicated to making the transition to a market economy. But with the loss of the rigid Soviet supply channel, the country has experienced a significant downturn in production. Kazakhstan has declared education to be a high priority to help the country integrate into the international economy. Most schools and institutions of higher learning, however, have inadequate teaching staff, outdated and often inappropriate textbooks, and very limited teacher resources to teach English. The country has also emphasized the importance of privatization, strengthening its small business sector, and addressing problems of environmental degradation and environmental protection.

### Resources:

Kazakhstan	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	54	75	77
Average # of Volunteers	49	86	120
Program Funds (\$000)	1,719	1,962	2,089

### Peace Corps Program by Sector:

#### Economic Development

Volunteers are working to establish 13 Business Development Centers to assist Kazakhstan in its transition to a market economy. The Volunteers provide training and consulting in basic free-enterprise management practices, marketing skills, and internationally accepted accounting systems and have established E-mail at nine of the Business Development Centers. Volunteers have helped over 50 business entrepreneurs develop proposals and write up business plans. One Volunteer has been working with over 20 entrepreneurs in the Zhambyl Business Center since September 1993, helping them prepare business plans and submit loan applications. As a result, local business projects received over \$80,000 in loans. Another Volunteer, who works in the Atyrau Business Development Center, has created an employment data base to aid traveling business people and provides ongoing management consulting at the Geologic Research Institute.

#### Education

Volunteers are currently teaching English to more than 2,500 primary and secondary school students and 800 university students in Kazakhstan. Volunteers have also established 10 educational resource centers with over 1,500 books, as well as computers, printers, modems and copy machines. Volunteers use communicative methodology in their classrooms and design class activities to facilitate the development of critical thinking, problem solving, and decision making skills.

Volunteers are developing and conducting workshops to train teachers from the regional Institutes for the Advancement of Teachers, and are assisting in the development of English language resource centers. Volunteers have organized five English teacher organizations at five different sites and, together with local teachers'

associations, are working on organizing the first national English teacher's conference in October 1995.

Outside of the classroom, Volunteers continue their efforts to teach English through a variety of means. Five Volunteers host an English language radio program, two Volunteers write, direct, and act in a weekly educational TV program, and seven are developing English teaching resource materials. Another Volunteer organized a summer camp for the children victimized during the nuclear tests near Semipalatinsk, while another Volunteer donates her free time to an orphanage.

### **Environment**

Environmental organizations in Kazakhstan lack the access to technical information, mechanisms of international and inter-regional communication, funding sources and language training which will allow them to compete and work at the international level. Peace Corps initiated an environmental project in 1994 to increase the capacity of local environmental organizations to address local, regional, and national environmental problems. One Volunteer, working with the Karaganda non-governmental organization Eco-Center, is coordinating the establishment of a long-term radiation project among the north-eastern cities of Kazakhstan. Another Volunteer is using his 15-year experience as an environmental control officer in the Detroit steel industry to assist local industries in cleaning up their air pollution.

Population: 4,512,000  
 Annual Per Capita Income: \$830  
 Number of years Peace Corps in Country: 2

### Peace Corps Country Overview:

The Kyrgyz Republic is making its transition to a market economy. As it seeks to expand its participation in the international economy, the government has identified the need to expand its English language programs for students and workers at all levels of society. The country's education system faces a severe shortage of trained teachers of English, textbooks, and basic instruction materials.

### Resources:

Kyrgyz	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	31	33	34
Average # of Volunteers	23	43	52
Program Funds (\$000)	898	1,128	1,209

### Peace Corps Program by Sector:

#### Education

Volunteers teach English and communicative methodologies in secondary schools and institutes of higher education. They introduce cooperative learning strategies and work with students to develop critical thinking skills, including analysis, problem solving, and decision making. Volunteers and their Kyrgyz counterparts develop teacher training workshops and create English language resource centers.

Volunteers in the English for Professional Purposes Project teach English to three target populations: health care professionals, government agencies, and the business community. The Volunteers teach communication skills by introducing adult education techniques and cooperative learning strategies. Volunteers also develop teacher training workshops and create resource centers in health care facilities, businesses, and government agencies. Three medical English classrooms based in hospital schools are functioning, and two Business English Resource Centers have been established.

Secondary projects include the organization of a country-wide drama festival and English classes for adults. Three Regional Resource Centers are stocked with donated books, which are used for training teachers, enhancing English language skills, and developing materials. With the assistance of Peace Corps Volunteers, Little League Baseball was chartered and is now in full operation throughout the Republic, and an alliance with a professional American baseball team is being finalized. This included a large donation of equipment, which is being used by children in every region.

Population: 2,588,000  
 Annual Per Capita Income: \$2,030  
 Number of Years Peace Corps in Country: 3

### Peace Corps Country Overview:

Since reclaiming its independence in 1991, Latvia has made considerable strides in economic and political reform, but still faces a number of important challenges in developing its small business industry. Latvia is also taking steps to strengthen its education system, particularly its English language programs. However, the country does not have adequate numbers of highly qualified English instructors, and the education system suffers from a lack of resources and training materials.

### Resources:

Latvia	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	19	29	29
Average # of Volunteers	35	36	39
Program Funds (\$000)	849	881	964

### Peace Corps Program by Sector:

#### Economic Development

Volunteers are working with Latvian counterparts to build small enterprise capacity in the country's rural areas. They provide farmers with training, basic business, and management skills. One Volunteer developed a seminar on alternative sources of farming supplies at the Tukums Farmers Consultation Center, while another Volunteer served as a consultant to the 1994 "International Agricultural Exhibition" in Riga, which focused on expanding agricultural exports.

#### Education

Volunteers are working with the Ministry of Education, Science and Culture to increase access to English language instruction in Latvia at the secondary school level. They provide training for Latvian teachers to enhance their English language proficiency and teaching skills, increase teaching resources, and promote community activities. One Volunteer has opened an English language resource center which is used by teachers, students and local residents of the community. Over 5,000 books, teaching materials, magazines and encyclopedias were obtained for the center. Another Volunteer has opened a Resource and Debate Center in a Latvian community with funds received through the Soros Foundation. At the Resource Center, students receive career counseling, and have access to books and periodicals about the United States and other countries. The Debate Center has involved approximately 65 students and teachers in debate tournaments.

Population: 3,747,000  
 Annual Per Capita Income: \$1,310  
 Number of Years Peace Corps in Country: 3

### Peace Corps Country Overview:

Lithuania's independence has coincided with a deepening economic crisis. The government of Lithuania is working to support the development of small and medium sized businesses, but entrepreneurs lack expertise in marketing and business management. Lithuania is also working to expand access to English language instruction in its secondary schools.

### Resources:

Lithuania	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	19	28	29
Average # of Volunteers	35	35	39
Program Funds (\$000)	849	879	964

### Peace Corps Program by Sector:

#### Economic Development

Volunteers are assigned to Economic Development Units of local governments, Business Advisory Centers, and other organizations involved in economic development. They are teaching business management skills to entrepreneurs and working with local governments on economic development plans. Volunteers initiated, researched, and developed a proposal to start a multiple Volunteer consultant service site in Vilnius. The project was implemented in June 1994 with Lithuania's Junior Achievement as a sponsoring agency. One Volunteer helped establish a Tourism Information Center in Klaipeda and organized seminars for people working in tourism development.

#### Education

Volunteers are working with the Ministry of Education to increase access to English language instruction in Lithuania at the secondary school level. They provide training for Lithuanian teachers to enhance their English language proficiency and teaching skills, increase teaching resources, and promote community activities. Three Volunteers organized a "Professional Day for Women" for over 100 women to explore new career opportunities. One PCV helped support a Youth Community Center and facilitated Health Education Workshops in collaboration with the Soros Foundation.

Population: 4,356,000  
 Annual Per Capita Income: \$1,180  
 Number of Years Peace Corps in Country: 2

### Peace Corps Country Overview:

As Moldova continues to transform its economy, the country faces enormous problems. Prices which once were fixed have now risen so that many basic goods and services are no longer affordable to the average Moldovan. Because there is no modern industrial base, failure of the agricultural sector has led to a decline for the entire economy. Nevertheless, Moldova has the potential to compete in some sectors of the international economy and new industries are being formed. However, these new companies require guidance, expertise, and support as they prepare to compete in regional and world markets. While many Moldovans are eager to learn English in order to participate in the global economy, there is an acute absence of English language teachers and resources.

### Resources:

Moldova	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	28	33	34
Average # of Volunteers	21	39	50
Program Funds (\$000)	871	994	1,114

### Peace Corps Program by Sector:

#### Economic Development

Peace Corps is beginning an economic development program in Moldova in 1995. The first 10 Volunteers are being placed in Business Development Centers to provide advice on privatization of smaller public enterprises and hands-on technical assistance to local entrepreneurs. They also will organize and conduct training programs, and establish a library and data bank.

#### Education

Volunteers are teaching English and introducing communicative methodology to middle- and high-school level students at secondary schools, gymnasiums, lyceums, and pedagogical schools. Due to Volunteer leadership, three new English language newspapers were established last year in Moldova. In many schools there had been only one English dictionary for use by the entire school. Now, through the efforts of Volunteers, new education resources and materials are available at these schools. A group of 12 Volunteers established an English language immersion summer camp program. During the course of the two weeks, participants were required to use English at all times. These students were introduced to the American culture through participation in sports, health education, environmental awareness, drama, and debate. Volunteers trained local university students to manage the camp in future years.

Population: 26,721,000  
 Annual Per Capita Income: \$1,030  
 Number of years Peace Corps in Country: 32

### Peace Corps Country Overview:

Peace Corps Volunteers have encouraged many significant improvements in the quality of life in Morocco over the last 30 years, but Morocco faces a number of pressing development issues which continue to be addressed by our Volunteers. The maternal mortality rate is exceptionally high in rural areas at 362 per 100,000 births. Only 31% of the births in Morocco in 1992 were assisted by qualified health personnel. Forty percent of Morocco's population is employed in the agriculture and environment sectors. Problems associated with drought, over-grazing, and lack of veterinary services are being addressed to improve livestock production and management, and to develop small income-generating activities related to agricultural products. Morocco's population growth has also contributed to the drainage of wetlands, de-forestation of public forests, and erosion in national park areas. Since tourism is a major industry in Morocco, the management and protection of parks and environmental education has become a priority.

### Resources:

Morocco	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	67	73	75
Average # of Volunteers	102	121	124
Program Funds (\$000)	2,501	2,548	2,574

### Peace Corps Program by Sector:

#### Agriculture

Small rural farmers are an important part of Morocco's agricultural industry, yet they have only limited access to information and resources designed to improve productivity or increase income generating opportunities. Volunteers are working with farmers on sustainable agriculture and livestock production, development of income generating activities, extension education, and rural women's development. Volunteers are also supporting the government's efforts to increase the availability of agricultural market information for farmers. One Volunteer and several Moroccan women developed and implemented an integrated program on sheep care, feed management, and hoof trimming with 40 female participants.

#### Education

Volunteers and their Moroccan colleagues are working together to improve pedagogical techniques, expand educational resources, and design targeted technical English curricula. Volunteers are also expanding and developing departmental resource centers at Moroccan universities. In 1996, Volunteers will concentrate on the development of university libraries and information management systems. They are also teaching orientation and mobility skills at schools for the visually-impaired to prepare students for integration into the community. One Volunteer co-edited technical English television programs for the Department of Education, which were broadcast throughout the country. Another Volunteer is helping her community renovate an old Spanish church for use as an English resource center. The center will be used for English instruction and will house a community English language library.

### Environment

Morocco is in the process of developing a national strategy to improve its parks and ecological reserves, which officials hope will attract tourism and generate economic growth. Volunteers are developing management strategies for unique ecosystems in these parks, introducing solar ovens to communities, promoting eco-tourism development, and designing environmental education curricula. One Volunteer coordinated a tree planting activity for 180 children. Others designed and are implementing a study of shepherds' summer use of grazing lands within Toubkal National Park.

### Health

Volunteers work predominately in rural Moroccan communities, addressing maternal and child health care and increasing safe water supplies. Health education is a major component of their projects. Volunteers have implemented vaccination campaigns, trained nurses in communication and patient counseling, constructed water supply systems, and developed dental hygiene awareness campaigns. Two Volunteers and their Moroccan counterparts created a Hygiene Tent for the weekly market in their town where they present and discuss different health issues weekly. Volunteers carried out eight primary school dental hygiene awareness campaigns which reached over 3,000 students.

Population: 38,446,000  
 Annual Per Capita Income: \$2,270  
 Number of Years Peace Corps in Country: 5

### Peace Corps Country Overview

Since 1990, Poland has been making the difficult transition to democracy and a free market economy. While political changes were immediate and dramatic, Poland's economic changes have been slower and more painful. Goods appeared on the consumer market almost immediately, yet the standard of living for most Polish people has been ravaged by the effects of inflation. High unemployment, high interest rates, and problems in both the agricultural and educational sectors have inhibited investment. Poland is also working to overcome numerous environmental problems, and append access to English language instruction. Peace Corps is working to ease and consolidate this transition by providing Volunteer assistance in economic development and education.

#### Resources:

Poland	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	101	103	105
Average # of Volunteers	165	176	189
Program Funds (\$000)	3,566	3,595	3,605

### Peace Corps Program by Sector:

#### Economic Development

Volunteers are providing assistance and advice to municipal organizations, business training programs, and privatization efforts. Municipal advisors help local government institutions and non-governmental organizations implement programs for local economic restructuring and development. Volunteers cooperate with Polish business training centers and business schools to offer training in accounting, marketing, promotion and advertising, international trade, finance, and banking. Volunteers also strengthen privatization efforts among regional development agencies, business incubators, foundations, and local chambers of commerce.

One Volunteer helped develop re-training programs for unemployed union members. At the same time, the Volunteer provided advisory services to Polish businesses as they developed and implemented business plans. Another Volunteer was directly involved in the development of a computer center that trains the visually-impaired in the use of computers for professional work.

#### Education

Volunteers in Poland play a prominent role in teaching English at secondary schools and teacher training colleges. Volunteers at the secondary level work not only to raise the overall standard of English language ability but also to heighten the cross-cultural awareness of Polish students. Volunteers provide English instruction, improve learning resources, develop school-based community outreach projects, and enhance the confidence, skills and knowledge of Polish counterpart teachers. Volunteers working in teacher training colleges teach Polish students to become competent teachers of English.

This past year, several Volunteers helped coordinate a Model United Nations program that attracted over 300 students from throughout Poland to learn about the democratic process in a large, international forum. Other Volunteers organized a Women in Development project that brought women together from the various regions of Poland to discuss issues affecting their communities and to learn how to develop future networking systems.

**Environment**

Volunteers are providing grass-roots assistance to Polish non-governmental agencies, local governments and municipalities in an effort to strengthen public awareness about environmental issues and improve organizational management and human resource development. Volunteers assist agencies in planning, funding, managing and evaluating environmental projects.

Recent projects include the production of an environmental publication which promotes information exchange and improvements in environmental education networking. Another Volunteer was instrumental in organizing conferences for teachers on environmental education opportunities in Poland's national parks.

Population: 22,761,000  
 Annual Per Capita Income: \$1,120  
 Number of Years Peace Corps in Country: 4

### Peace Corps Country Overview:

Over the last five years, Romania has slowly been transforming its economy to one based on market principles. At the end of 1992, vouchers were issued that represented 30% of the asset value of the 6,200 enterprises slated for privatization. Production in the factories, however, has dropped, causing severe shortages of many consumer goods. The agricultural sector has also been severely affected. Unemployment and inflation also remain high, and the education system is struggling to modernize after years of neglect. Despite these obstacles, Romania is moving ahead with its reforms and toward greater cooperation with the West.

### Resources:

Romania	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	37	38	38
Average # of Volunteers	39	56	66
Program Funds (\$000)	1,331	1,362	1,391

### Peace Corps Program by Sector:

#### Economic Development

Volunteers are assisting over 1,800 Romanian entrepreneurs with business planning, financial analysis, loan applications, marketing, and organizational issues. They are conducting over 30 seminars on such topics as finance and banking, exporting/importing techniques, tourism development, and legal issues. Case studies have been developed by Volunteers for use in seminars throughout the country. These case studies allow new entrepreneurs to learn from the experiences of other Romanian business professionals.

#### Education

Thirty-one Volunteers teach English to over 5,700 Romanian students in 33 middle or secondary schools in Romania. Peace Corps' participation has enabled several schools to initiate a new intensive English language curriculum. Volunteers work directly with more than 100 Romanian English teachers. In one case, a Volunteer organized a teacher's association which is exploring the possibilities of implementing standardized testing. Through Peace Corps' assistance, over 30,000 books have been received and distributed to schools and universities throughout Romania. Several Volunteers conducted environmental awareness camps which were used to raise students' understanding of environmental issues and to increase their English competency.

Twelve Volunteers are working as education developers, vocational counselors, and community service consultants to strengthen Romania's weak social service sector. Volunteers are assigned to universities to develop the curriculum for Romania's first School of Social Work. Other Volunteers are helping to build the institutional capacity of youth organizations. They also initiate and assist in projects such as providing assistance to or counseling street children, working with Maternal Health Centers, developing HIV/AIDS education materials, and working on the International Festival for Children with Handicaps. Vocational counselors work with Romanian staff to provide job training skills to handicapped youth.

Population: 148,537,000

Annual Per Capita Income: \$2,350

Number of Years Peace Corps in Country: 3

### Peace Corps Country Overview:

Russia faces enormous challenges in sustaining economic reform policies, and the domestic context in which new institutions are struggling to take hold remains uncertain. Moreover, Russia has only begun to address problems associated with environmental neglect and the need to modernize its educational system. Peace Corps Volunteers are making important contributions at the grassroots level to Russia's efforts to establish a free market economy and build new civic institutions. Volunteers have become valuable sources of advice and expertise for Russian entrepreneurs, business professionals, and local governments, as well as for other international development organizations.

Peace Corps' initial focus in Russia was to provide advice and expertise to the burgeoning small business community. In 1995, however, Volunteers will be broadening their activities. New programs for teaching English, training teachers and developing new curricula will begin later this year. In addition, Volunteers will work with local officials and non-governmental organizations to undertake a number of environmental and agribusiness projects. Volunteers are also an important referral source for the many international exchange and internship programs that are now taking place in Russia.

### Resources:

	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Russia			
Trainees	49	66	67
Average # of Volunteers	67	68	99
Program Funds (\$000)	2,672	2,932	3,166

### Peace Corps Program by Sector:

#### Economic Development

In 1994, Volunteers conducted business seminars, workshops, and individual consultations for more than 1,000 individuals in Russia. They also helped plan and coordinate 11 conferences on banking, securities, international trade, regional development, real estate, and business opportunities for women. Volunteers have offered training in personnel management techniques, customer service, accounting methods, and marketing and distribution at seminars in three towns in the state of Primorsky. Volunteers have coordinated bank seminars with the University of Alaska to teach accounting methods to 45 banking professionals in Vladivostok and Khabarovsk. Two Volunteers in Saratov and Volgograd have opened Russian/American Cultural Information Centers with libraries.

#### Education

For many Russians, learning English is a key factor in their ability to compete economically: it is the language of international commerce, computers, and trade. Peace Corps is establishing new English language projects in Russia that are designed to develop English curricula for schools and train Russian English teachers. Volunteers also teach English to students and develop materials for teachers and help social and educational agencies gain access to resources. Volunteers will be placed in far eastern Russia in the summer of 1995 where they will teach English and introduce communicative methodology at secondary schools.

**Environment**

Peace Corps is currently establishing an Environment/Natural Resources Management program in Russia. Volunteers will teach natural resource conservation, develop teaching materials, and train Russian teachers in innovative environmental education techniques and classroom/non-classroom exercises. Volunteers have been asked to provide technical assistance with reforestation of a 2 million hectare area that was ravaged by fire in 1976. Volunteers also will work with Russian specialists to develop a comprehensive management program for nature preserves.

Population: 5,345,000  
 Annual Per Capita Income: \$1,900  
 Number of years Peace Corps in Country: 5

### Peace Corps Country Overview:

Slovakia's separation from the Czech Republic has slowed the pace of reform significantly. Inflation and unemployment have risen, and industrial output has dropped. However, Slovakia is still actively engaged in soliciting western development assistance and trainings it makes the transition to a market economy.

### Resources:

Slovakia	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	28	34	34
Average # of Volunteers	21	55	59
Program Funds (\$000)	1,004	1,251	1,270

### Peace Corps Program by Sector:

#### Economic Development

As members of Slovakia's newest Peace Corps project, economic development Volunteers have already made a significant impact by working with local advisory centers throughout the country. Volunteers placed in these centers work with the directors, host staff, and local consultants to formulate strategic plans and deliver technical assistance to Slovakian entrepreneurs. Volunteers are developing a business network at 12 business centers throughout the Slovak Republic. Centers are now working closer together on projects and are sharing information with other groups engaged in similar work. Six Volunteers are also working with the new Junior Achievement program for young people interested in pursuing business careers in the Slovak Republic.

#### Education

Slovak universities and teacher training colleges have almost universally replaced Russian instruction with English language training. With this change, Slovak teaching institutions have sought to fill the language void with English lecturers from various Western organizations. Volunteers are working in smaller cities and towns, areas which are exposed to very few native English speakers. Education Volunteers divide their time between direct classroom teaching, teacher training, and English conversation training. Classes in conversation and grammar at four university teaching facilities and over 100 secondary schools have been attended by almost 900 university students and 3,500 secondary students. Almost 200 Slovak English teachers and over 850 future teachers have increased their ability to communicate and teach English, and through the completion of almost 30 workshops, over 125 teachers are able to incorporate current English teaching methodologies into their curricula. A Volunteer teaching at a secondary school in Presov prepares and coaches his students for national English competitions. Due to his efforts, one student was sent to a summer program for gifted youth at the University of South Carolina.

**Environment**

Volunteers work in municipal environmental planning, development of non-governmental organizations, and administration of national parks. As advisors to local governments and national park authorities, Volunteers help design strategic plans, evaluation tools, and public participation campaigns. Volunteers helped five Slovak organizations design pilot projects for tourism promotion, computer networking among Slovak national parks, and environmental education. Other Volunteers helped organize Earth Day activities which focused on youth participation in nature protection and local cleanups.

Population: 8,609,000/356,000  
 Annual Per Capita Income: \$1,780/7,298  
 Number of years Peace Corps in Country: 32

### Peace Corps Country Overview:

Tunisia's economy has been affected by changes in the international price in petroleum, and there is a critical shortage of qualified English teachers at universities and institutes of higher education. Only a small portion of handicapped Tunisians receive education or assistance in basic skills. Over 60% of the Tunisian population is below 24 years of age, and Tunisian youth face a challenging future with an increasingly high unemployment rate. Many are moving from rural areas to urban areas to seek opportunities. These factors, coupled with a high population growth rate, have create serious housing shortages in Tunisian urban areas.

The Peace Corps Tunisia Office also administers the program in Malta.

### Resources:

Tunisia/Malta	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	50	47	50
Average # of Volunteers	61	78	82
Program Funds (\$000)	1,651	1,814	1,912

### Peace Corps Program by Sector:

#### Economic Development/Community Development

Peace Corps has placed Volunteers in communities to help people improve their basic living conditions and to enhance their ability to contribute to their own development. Volunteers provide both technical and management advice to help families secure loans, build homes, adapt to home ownership and develop strong communities. Each Volunteer builds a demonstration house during his or her first year of service as a tool of instruction. In 1994, 50 low-income families were assisted in the completion of houses with access to electricity and water.

A Volunteer in Malta with a background in environmental engineering is working with the Ministry for the Environment to develop modern methods for waste disposal and the construction of landfills.

#### Education

Volunteers work at schools and associations for the disabled to train Tunisian special educators in teaching techniques and curriculum development. Special Education Volunteers also work with Tunisian educators, students, and families to disseminate information on the care of disabled children and the potential of the disabled population within Tunisia. One Volunteer developed a curriculum on motor, cognitive, social, emotional and behavioral skills which has been translated into Arabic for use among special educators.

Over 800 Tunisian university students were taught by Volunteers in 1994. Volunteers provide dual functions as instructors at the university level and as teacher trainers for future secondary school English teachers. Volunteers conducted two workshops for 20 secondary school teachers and participated in a 26-hour seminar on comparative literature for 150 teachers and students.

In Malta, a Volunteer is currently working at the Maltese Institute of Agriculture to develop academic curricula

and an extension service to farmers. Another Volunteer is assigned to the Institute of Health Care to help her colleagues develop health policies and procedures and fill a shortage of trained instructors. Other Volunteers are training Maltese teachers in special education. In 1994, two Malta Volunteers and five Tunisia Volunteers presented a 60-hour training module of teaching methodology, behavior management, and art education at a conference attended by Maltese psychologists, therapists, social workers, and professors.

### **Youth Development**

Because such a large percentage of the population of Tunisia is under the age of 24, Peace Corps has initiated a pilot-program in collaboration with the Ministry of Youth and Childhood to improve the existing network of youth facilities, with a special emphasis on girls and unemployed males.

Population: 3,949,000

Annual Per Capita Income: N.A.

Number of years Peace Corps in Country: 2

### Peace Corps Country Overview:

Turkmenistan's transition and integration into the international community has proved especially difficult since the country has virtually no history as an independent country, and its people have no experience with self-government. The government of Turkmenistan asked for Peace Corps' assistance in developing the English education program in the secondary schools, the pedagogical institutes, and universities throughout the country. The Ministry of Health has requested Volunteers to serve as nurses and health educators to assist the Turkmen medical community's efforts to modernize their profession.

### Resources:

	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Turkmenistan			
Trainees	49	46	28
Average # of Volunteers	23	44	50
Program Funds (\$000)	1,268	1,231	1,232

### Peace Corps Program by Sector:

#### Education

Volunteers work in secondary schools and institutes of higher education teaching English as a Foreign Language and introducing communicative methodologies. The Volunteers introduce cooperative learning strategies and work with students to develop critical thinking skills, including analysis, problem solving, and decision making. Volunteers and their counterparts develop teacher training workshops and create English language resource centers. Secondary projects include establishing summer English camps, English clubs and English classes for adults. Over 1400 students have been taught. Volunteers also teach English at health care facilities and environmental organizations. The Volunteers teach oral communication skills by introducing adult education techniques and cooperative learning strategies using relevant content. Volunteers also develop teacher training workshops and create resource centers with particular emphasis on health care and the environment.

A Volunteer has been working at the Turkmenistan National Library and has been able to acquire 70 reference books in English. Another Volunteer is working at an historical museum translating signs, directions, and exhibit displays into English.

#### Health

Volunteers are working with nurses and doctors to develop practicum training and continuing education programs to assist in the modernization of nurses and midwives' clinical skills as well as their philosophical approaches to patient care. Volunteers also are introducing contemporary techniques in pre- and post-natal care, labor and delivery practices, infant and well baby care, sick child care, breast feeding, and nutritional practices. Volunteers also teach patient education skills, family planning techniques, and basic infection control.

Population: 52,141,000

Annual Per Capita Income: \$1,910

Number of Years Peace Corps in Country: 3

### Peace Corps Country Overview:

Lacking institutional and individual resources, Ukraine faces enormous challenges as it continues its transition to a free market. Ukrainian entrepreneurs need training and technical assistance in basic business skills, such as marketing, management, and accounting. Ukraine's education system also lacks resources and wide access to quality English language programs.

### Resources:

Ukraine	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	41	76	77
Average # of Volunteers	70	84	120
Program Funds (\$000)	1,766	2,277	2,439

### Peace Corps Program by Sector:

#### Economic Development

Volunteers are providing training and advice in business skills, technical expertise and free market activities to Ukrainian entrepreneurs. One Volunteer helped create the most extensive guidebook to Kiev, which Ukrainian embassies and the national airline are both using regularly. Another Volunteer developed and implemented a Total Quality Management Reform Program for the Lviv City Administration and Mayor's Office.

#### Education

Volunteers are working to expand and improve the quality of English language instruction in Ukraine. Volunteers teach English in schools and provide Ukrainian educators with opportunities to improve their fluency and gain exposure to innovative teaching techniques. One group of Volunteers designed and published teachers resource manuals while teaching at the primary, secondary, and higher education level. Three Volunteers helped start a community English Resource Center in Ternopil and in Vinnytsa. Cherkassy Pedagogical Institute students have been working with one Volunteer to develop an English language newspaper. A teachers' manual containing procedures for language teaching techniques and activities was completed by a Volunteer at Dnipropetrovsk Pedagogical School.

Population: 21,969,000  
 Annual Per Capita Income: \$960  
 Number of years Peace Corps in Country: 3

### Peace Corps Country Overview:

Volunteers in Uzbekistan are working to support Uzbekistan's difficult transition to a free market economy and expand English language programs. A government priority in this process of renewal and redirection is the education system. Uzbekistan's per capita income ranks among the lowest of the former Soviet republics, with almost 50% of the population living at the official poverty level. Small businesses are hampered by a lack of progress on privatization legislation, changing laws that affect small business, lack of commercial credit, raw materials, supplies and equipment, and lack of information about and expertise in operating a business within a free market economy. Volunteers are working with the Uzbekistan Privatization Committee to help in these areas and with the privatization process.

### Resources:

	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Uzbekistan			
Trainees	30	28	29
Average # of Volunteers	29	28	38
Program Funds (\$000)	1,135	1,132	1,199

### Peace Corps Program by Sector:

#### Economic Development

Volunteers are supporting Uzbekistan's transition to free market economic activities by advising and promoting small businesses at the micro level, while advising government officials on privatization activities at the macro level. Volunteers are helping Uzbekistan's privatization process and helping to organize auctions of state-owned companies. Other Volunteers are working with women's business organizations, advising the organizations as well as individual businesswomen.

#### Education

One of the goals of the English Education and Resource Development Program is to increase the availability of quality English language instruction to secondary schools and university students by providing modern teaching techniques and methodologies. Volunteers also assist the Ministries of Public and Higher Education in their efforts to develop language and technical skills, and in their acquisition and creation of pedagogical resources. Volunteers also assist colleges in creating and developing their own forums of networking and information exchange. These include a national Uzbek chapter of the professional organization of Teachers of English to Speakers of Other Languages and a newsletter with national distribution.

## Regional Overview

The signing of the Declaration of Principles and Plan of Action at the Summit of the Americas in December 1994 was the culmination of a watershed year in inter-American relations. For the first time, every government in the hemisphere, except Cuba, made a series of commitments that hold great promise for the people of the Americas:

- To preserve and strengthen the community of democracies in the Americas;
- To promote prosperity through economic integration and free trade;
- To eradicate poverty and discrimination in our hemisphere; and
- To guarantee sustainable development and conserve our natural environment for future generations.

President Clinton called upon his fellow heads of government at the Summit to join together to "create a partnership for prosperity where freedom and trade and economic opportunity become the common property of the people of the Americas." Peace Corps is poised to support this hemispheric effort and play an even greater role in helping the 23 nations in which Volunteers will serve.

## Programming Considerations

The 1990s have been a period of careful and selective growth for Peace Corps programs in the Inter-American region. Since 1990, Peace Corps has re-entered and remains in Bolivia, Chile, Uruguay, Nicaragua, Panama, and El Salvador, and intends to establish programs in Guyana and Suriname in 1995. During FY 1994, an average of 1,610 Volunteers were serving in the region.



*Education has long been the cornerstone of Peace Corps development projects, and senior Volunteers bring with them a lifetime's knowledge to share.*

Of the many lessons that Peace Corps has learned over the last three decades, perhaps the most basic is that development proceeds on its own schedule, and external assistance can only be as effective as a country's domestic context permits. But the spread of democratic institutions and the remarkable potential for economic growth as envisioned at the Summit of the Americas give Peace Corps the opportunity to make its most effective contribution yet to the hemisphere. With its long history in the region, Peace Corps is uniquely situated to help host countries address their development objectives by placing a large cadre of trained Volunteers at the grassroots level to live and work in rural and urban communities.

Volunteers work with these communities to help them respond to their needs in education, health, agriculture, environmental protection, small business development, and urban development. In the process, Volunteers

help the citizens of these communities build and strengthen the representative institutions through which they seek to improve their lives and participate in the development of their countries. At the same time, Volunteers play a crucial role in strengthening the people-to-people bonds that are one of the foundations of our hemispheric community, and which complement the economic ties that are built through our trade relationships.

Recognizing the scarcity of budget resources, the Inter-American region continues to manage each of its programs to ensure that Volunteers can respond to changing needs and realities in the most cost-effective manner. Peace Corps is reviewing its presence in every Inter-American country with a view toward possibly closing some that have reached relatively high levels of development and are able to meet the basic needs of their citizens on their own. One of the first steps was to close Peace Corps' program in Argentina at the end of FY 1994.

The Inter-American region is also carefully reviewing its country programming to ensure that existing projects are making lasting contributions to grassroots development, and are not proceeding merely out of inertia. Peace Corps expects that this will permit the elimination or consolidation of some program sectors in some countries, and lead to savings in staff and program costs. For example, Peace Corps is closing its education sector in Costa Rica since the country is able to support education on its own.

In addition, the Inter-American region is challenging every post to increase administrative efficiency. Finally, it is a priority of the Inter-American region to include women and youth in the design, implementation, and evaluation of all our projects.

## Sector Summaries

### Agriculture

Self-sufficiency in the production of food is essential to the basic economies of the region. Small farmers who are limited to subsistence production are still common in many Inter-American countries. Volunteers are working in a variety of agriculture projects that are designed to increase food production and family farm incomes, as well as to reduce malnutrition in local communities. Many of these activities relate directly to Peace Corps' efforts in the environment sector, and Volunteers often coordinate activities to enhance their impact.

### Economic Development

The emerging market economies of Latin America include many small and micro-businesses existing on the margins of the current economic growth in the region. They require assistance to develop, expand, and provide new sources of income and employment. Broad-based development of small business also helps to sustain and strengthen the fragile democratic political systems of the region. Volunteers provide a range of technical assistance to individual entrepreneurs and organizations that provide credit and training to small businesses. The overall target of their work is to increase access of small businesses to urban and foreign markets, and to increase income and job opportunities throughout the region.

### Education

Strengthening education systems as a means to encourage economic development remains one of Peace Corps' primary objectives in the region. Many Inter-American countries do not have sufficient numbers of teachers who are trained in advanced teaching methods, and rural schools often suffer from a lack of modern education materials and equipment. Volunteers are teaching English, science, and mathematics in individual classrooms, training teachers in new education methods, and improving the infrastructure of schools. They are also working to increase the quality of educational services for illiterate children and adults, students with learning disabilities, and the technically untrained.

### Environment

While protection of the environment is a global issue, it is of particular importance in the Inter-American region. Unfortunately, too many people in the region derive their daily sustenance from "slash-and-burn" agricultural practices, the misuse or overuse of pesticides, or the hunting of endangered species. Volunteers working in this sector strive to reduce environmental degradation and increase conservation of valuable land, rain forests, and water resources. Volunteers work to educate people about the impact that some economic and agricultural practices have on the environment, and how to alter those practices where possible to reap greater benefits for themselves and the environment.

### Health

Access to basic preventive health care remains a serious problem in many Inter-American countries, particularly in poor rural areas. Of particular concern throughout the region is the deterioration of water and sanitation services. Cholera, which has been absent from the region for years, is returning to some areas. Volunteer activities are also focusing on reducing infant mortality due to infectious and parasitic diseases.

### Urban Development

Due to the rapid growth of urban areas in many Inter-American countries, local governments are facing mounting pressures to expand and improve basic services for urban populations. Peace Corps has placed a new focus on this important issue: Volunteers are supporting community efforts to expand and improve urban services, such as access to housing, shelter, water, and sanitation, as well as to strengthen the ability of local governments to plan, implement, and manage these and other services.



## Inter-America Region

	Trainees			Average Number of Volunteers			Program Funds (\$000)		
	FY '94	FY '95	FY '96	FY '94	FY '95	FY '96	FY '94	FY '95	FY '96
Argentina	0	0	0	27	0	0	699	0	0
Belize	32	33	37	41	45	53	1,241	1,260	1,344
Bolivia	48	66	66	85	75	98	2,194	2,220	2,560
Chile	32	33	33	51	62	64	1,741	1,898	2,056
Costa Rica	73	78	47	119	106	120	2,085	1,937	1,602
Dominican Republic	94	82	84	146	149	142	2,704	2,527	2,548
Eastern Caribbean	74	71	71	113	131	134	3,268	3,372	3,494
Ecuador	106	104	103	177	187	182	3,330	3,358	3,386
El Salvador	24	33	33	18	30	49	680	663	1,023
Guatemala	116	114	113	210	219	206	3,433	3,461	3,413
Guyana/Suriname	0	38	38	0	9	50	0	805	1,451
Honduras	118	118	116	182	203	190	3,038	3,082	3,118
Jamaica	61	66	66	112	101	100	2,243	2,190	2,263
Nicaragua	44	57	57	42	73	103	1,121	1,535	1,873
Panama	41	38	38	58	70	66	1,293	1,323	1,370
Paraguay	115	103	101	191	198	190	3,253	3,115	3,092
Uruguay	32	33	34	37	44	58	1,566	1,588	1,768
<b>TOTAL*</b>	<b>1,012</b>	<b>1,065</b>	<b>1,036</b>	<b>1,610</b>	<b>1,706</b>	<b>1,611</b>	<b>33,889</b>	<b>34,535</b>	<b>36,361</b>

Detail may not add due to rounding

Population: 205,000  
 Annual Per Capita Income: \$2,440  
 Number of Years Peace Corps in Country: 33

### Peace Corps Country Overview:

Currently, 82% of the youth in Belize are defined as "at-risk," and 65% of the population lives in absolute poverty. With 65% of the population under 24 and only 18% of youth aged 10-19 enrolled in secondary institutions, there is a high number of unemployable youth. The rural primary school system in Belize also suffers from overcrowding or non-existent facilities and a lack of books and supplies. Only a small percentage of rural teachers have professional training, and many have little more than a high school education. An estimated 25,000 Hispanic immigrants, mainly landless farmers, have immigrated to Belize in the past ten years, placing new strains on Belizean communities and institutions.

Sixty percent of Belize's land is covered by a range of forest eco-systems that house many endangered species. In addition, there is a magnificent coastal and marine ecosystem, whose core is the barrier reef. Sound management will be required to maintain these natural resources.

### Resources:

Belize	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	32	33	37
Average # of Volunteers	41	45	53
Program Funds (\$000)	1,241	1,260	1,344

### Peace Corps Program by Sector:

#### Education/Youth Development

The youth enhancement services project is designed to improve the social and economic prospects of Belizean youth aged 12 to 24. The Center for Employment Training in Belize City was established in 1992 to increase the vocational employment of youth in urban cities and to supply relevant economic sectors with skilled labor. Volunteers provide training in a variety of subjects including auto-mechanics, construction, welding, hospitality management, and electronics. In 1994, 300 students completed courses and acquired entry-level competency in their trade area and over 50% of students completing their courses are currently employed in their specialty area.

More than 90% of Belizean schools do not have an organized physical education (PE) program. No established curricula is available, and teachers who lack training are often not motivated to teach. In addition, facilities and equipment are usually inadequate or non-existent. Sports for Youth Volunteers provide PE teacher training to primary and secondary school teachers and construction Volunteers assist with the building and reparation of schools.

A faculty exchange program was established between the Metro College in Omaha, NE and the Center for Employment Training in Belize City in 1994. To facilitate the development of PE programs in Belize, seven sports libraries equipped with materials and sports equipment were opened in 1994; one in each district. Due to close coordination between Peace Corps and the National Sports Council, and the equipment donations of

the Kellogg Foundation, these libraries are fully operational. Another Volunteer organized a week long "Hike and Bike for the Rainforest" Project which involved the participation of 18 youth-at-risk, including 6 girls.

To facilitate the integration of the nearly 35,000 Hispanic immigrants, Volunteers promote self-help activities including income generating projects, leadership training, and organizational development in newly settled communities. Volunteers also work to improve the quality of health and education available in communities affected by the arrival of immigrants. To address the problem of overcrowded schools and untrained teachers, Volunteers provide teacher training workshops to introduce teaching techniques and materials.

Two Volunteers working in a remote village assisted with the establishment of a 6,000 acre medicinal plant reserve "Terra Nova." One Volunteer provided the start-up seeds for a group of youth interested in planting. Their success resulted in the development of four roadside produce stands. Their stands have become "official" bus stops receiving the business of numerous travelers passing along that road.

### **Environment**

To protect Belize's natural resources, Volunteers promote organizational development, reinforce existing institutions, and improve environmental curricula in schools. Volunteers work with the Belize Audubon Society in the management of seven of the country's protected areas. Volunteers also assist in the monitoring of the protected areas and in developing plans for land use in visitors centers and National Parks.

In 1994, Volunteers staged a two-day environmental public awareness campaign highlighting the importance of safe pesticide use. The display was visited by about 1,000 people. Another Volunteer completed two manuals for young adults on the topics of endangered species and water resources.

Population: 7,064,000

Annual Per Capita Income: \$770

Number of Years Peace Corps in Country: 13

### Peace Corps Country Overview:

Bolivia bears the distinction of being one of the least developed countries in South America. Eighty-five percent of the rural population live in absolute poverty and are unable to satisfy their basic needs for a minimal living standard. Rural Bolivia suffers from the highest infant and under-five mortality rates in Latin America, and the average life expectancy at birth is among the lowest in South America. Agriculture, the economic mainstay of the average Bolivian family, remains labor-intensive. Haphazard conversion of forests to agriculture and cattle ranching, uncontrolled logging, and problems associated with rapid urban growth threaten the environment. More than half of the population is self-employed, mostly as members of family enterprises, and only 39% of the population is employed in the formal economy. Limited access to economic opportunities perpetuates poverty. Development throughout the country is hampered by a lack of mechanization, investment, and poor infrastructure. Peace Corps returned to Bolivia in 1990, following an almost 20 year absence. Volunteers are working with national agencies as well as with private volunteer organizations in projects in agriculture, water sanitation, forestry, small business development, and cooperative promotion.

### Resources:

Bolivia	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	48	67	66
Average # of Volunteers	85	75	98
Program Funds (\$000)	2,194	2,220	2,560

### Peace Corps Program by Sector:

#### Agriculture

Through training, technical assistance, and techniques aimed at increasing community participation, Volunteers assist small farmers and their families to improve agricultural production, enhance family nutrition, and increase income while taking into consideration the preservation of natural resources, such as land and water.

A first-year agriculture extension Volunteer is working with farmers in the community on demonstration plots to plant different varieties of corn and monitor their growth. Improved methods of production are shared with community members through a Spanish agriculture bulletin developed by the Volunteer.

#### Economic Development

Volunteers are working with their Bolivian counterparts to develop business management skills by improving production and services and strengthening marketing channels to create employment opportunities for low income people in both rural and urban areas. Volunteers have been assigned to rural agricultural associations, mothers' clubs, artisan groups, and youth development organizations. Through development of better business skills by the individuals and groups with whom Volunteers are working, microenterprises and cooperatives become more productive.

A Volunteer established a bakery workshop to teach young children living in an orphanage the skills needed to run a business. They learned not only how to bake bread but also received instruction in basic inventory and accounting. The children came to understand the importance of self-discipline in the workplace, while increasing their independence and self esteem. Eighty percent of the salaries they earn is being saved for when they leave the orphanage. Two Volunteers published a community training and credit manual for women. Some Bolivian artisans who have followed the techniques outlined in the manual for the marketing and sales of their products have returned to their communities to emphasize the importance of quality, timely production, and overall customer satisfaction.

### Environment

Soil conservation practices, watershed management, and youth education are the primary focus of this project. Volunteers provide an integrated approach to the sustainable use of Bolivia's soil and water resources. The project has been very effective in providing conservation awareness among Bolivian youth by introducing the importance of conservation and re-vegetation for community well being into school curricula. Volunteers have successfully motivated school children to start their own gardens.

One Volunteer, teaching environmental education in the primary school of a remote village, successfully solicited the help of her students' parents to build a fence around a tree planting project to protect the seedlings from stray animals. As a result of their involvement in the construction of the fence, families developed a sense of ownership and concern for the success of the project. Other Volunteers have taught farmers to make cement rings for use in well construction and developed six other types of wells using locally available materials.

### Health

Water is a scarce resource in the High Valley regions of Bolivia. Although government and donor organizations have financed projects for the construction of water systems, very little effort and money has been dedicated to train people to effectively manage systems after the project is completed. Volunteers are addressing this need by working with water committees to manage and administer water systems. They are also involved in the construction, maintenance, and operation of water systems and sanitary latrines.

A Volunteer helped one community design and construct a gravity-fed water system and trained community members to effectively address their water and sanitation needs. Another Volunteer developed a puppet show for the community to teach the basics of sanitary education and modern latrine construction. The method was well received by the community, and the Volunteer's Bolivian counterpart adopted the technique after learning the value of this interactive teaching method.

Population: 13,813,000  
 Annual Per Capita Income: \$3,070  
 Number of Years Peace Corps in Country: 24

### Peace Corps Country Overview:

Although Chile is recognized as an "advanced developing country," 40% of the population lives below the poverty line, and approximately 1.2 million people are living in absolute poverty. Reforms have brought a free market system, decreased the role of the government, and privatized key services such as electricity, communications, education, water supply, and health which were previously provided by the government. However, the lack of education and planning experience on the part of local officials, particularly those representing small, poor, and rural municipalities, are obstacles to meeting citizen expectations in the delivery of basic services. A rapid growth in the labor force has resulted in environmental problems, such as heavy air pollution, water contamination, uncontrolled solid waste dumping, and ecosystem degradation. While all of Chile's socioeconomic levels are effected by environmental degradation, the poor are especially impacted. Volunteers are working projects on environment, small business assistance, and municipal management to collaborate with the new government's top priorities for the elimination of absolute poverty, improvements in health and education, further decentralization of government, and continued economic growth.

### Resources:

	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Chile			
Trainees	32	33	33
Average # of Volunteers	51	62	64
Program Funds (\$000)	1,741	1,898	2,056

### Peace Corps Program by Sector:

#### Economic Development

As many as 50% of Chilean workers are employed in enterprises with less than 10 employees. Many of these small businesses have low productivity, low managerial capacity, outdated technology, inadequate market penetration, and little access to credit. Volunteers work with government and private agencies to give technical assistance to small business entrepreneurs to improve their credit and beneficiary tracking systems, marketing design, credit management, productivity, and basic accounting.

One Volunteer, working with a non-governmental organization that helps local producers export their handicrafts, designed and implemented a program to register artisans, track purchase orders, maintain inventories, and manage individual accounts. The Volunteer also developed an extensive catalogue of crafts for distribution to potential clients. Sales increased by 400%, benefiting over 1,500 handicraft producers. Another Volunteer developed business courses to provide individual assistance in marketing, cost analysis, accounting, and business management to assist microenterprises assess their credit needs. Improved services and follow-up technical assistance to clients has resulted in more effective loan management and improved operation of the cooperative.

Because municipal governments are responsible for providing basic services to their citizens, Volunteers provide technical assistance and training in local economic development, environmental sanitation, administration of primary health care and education, public housing, and basic infrastructure. Working with a national program

that provides assistance to women who are heads of households, one Volunteer is involved with coordinating support and training to Chilean women on issues concerning health, employment, housing, adult education, and legal assistance.

### Environment

The increasing magnitude of environmental problems poses a serious threat to the health and quality of life in Chile. Among these problems are solid and liquid waste disposal, control of industrial waste, and protection of Chile's natural resources such as forests, marine life, water, and soil. Many of the government and private agencies with which Volunteers work lack the experienced personnel needed to address and resolve their country's problems. The main technical areas of this broad-based project are: teaching, research, environmental education, parks and wildlife, and environmental policy.

A Volunteer has implemented a training program that focuses on Chile's new environmental laws. This Volunteer helped organize and implement joint solid waste and recycling projects, in collaboration with the municipality, to improve environmental conditions. The Volunteer also helped design and implement environmental projects in local schools.

A Volunteer is working with the Chilean National Forest Service and the Ministry of Education to implement a training program aimed at developing environmental monitors among primary school teachers. These teachers receive training on incorporating environmental issues in the school curriculum at the primary level. This pilot project promotes student and community awareness to develop solutions to the region's environmental problems.

Population: 3,267,000  
 Annual Per Capita Income: \$2,160  
 Number of Years Peace Corps in Country: 32

### Peace Corps Country Overview:

The development of new small businesses and the training of micro-entrepreneurs is a major priority for the Costa Rican Government. Of the more than 100,000 micro-entrepreneurs currently operating in Costa Rica, some 40% have been in business for less than five years and generally lack the skills and training to effectively compete. Major international environmental organizations have identified Costa Rica as a high-priority protection area because of its natural diversity. Despite the increase in environmental awareness within Costa Rica, some 30% of the country has been deforested during the past 25 years. Recent urban migration caused by industrial economic growth and tourism has led to urban overcrowding and the rapid expansion of slum zones around Costa Rica's largest cities and towns. The Costa Rican government recently estimated that some 350,000 children and adolescents under 16 years of age live below the poverty line in Costa Rica's urban areas. Volunteers have adapted their projects to address Costa Rica's most urgent developmental needs among its poorest urban and rural communities.

### Resources:

Costa Rica	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	73	76	47
Average # of Volunteers	119	109	120
Program Funds (\$000)	2,085	1,937	1,602

### Peace Corps Program by Sector:

#### Economic Development

Volunteers work directly with micro entrepreneurs, providing technical assistance in marketing, record keeping, financial planning and management, quality control, and the use of credit to increase small business opportunities and income. Volunteers also teach basic business concepts and skills to elementary and vocational school students. In some cases, Volunteers train inexperienced cooperative and non-governmental organization staffs in personnel management, credit management, marketing, budgeting, and provision of customer services to their small business clientele. As a result, last year almost 150 women began new income-generation projects, 450 grade school children participated in basic business education classes, and over 20 small business support organizations implemented new systems and services. In the fall of 1995, the project will be broadened to include a new basic business education component which will provide teacher training in business concepts to teachers at Costa Rica's technical high schools.

Volunteers also work with at-risk urban youths by offering improved education and opportunities for social development. Volunteer activities include informal counseling and organizing and promoting recreational, educational, employment opportunities, and crime prevention programs.

Urban Youth Volunteers are working with at-risk youths in marginal urban areas of the Caribbean city of Limón. During their first five months of service, these Volunteers developed a training program for the caretaker "aunts" who manage the children's shelters of the Costa Rican Children's Welfare Department. These efforts

were enthusiastically received by the host agency and are now being tested for possible implementation nationwide.

### Education

Volunteers are working on problems in Costa Rica's education system through three projects: adult education, community education, and integrated child development. Through the work of Volunteers in FY 1994, over 150 previously illiterate adults passed functional literacy tests, and more than 130 others passed middle school and high school equivalency exams. In addition, almost 20 new adult education classes began, and 80 teachers are now using improved adult education practices.

The community education project helps rural communities to identify and meet local development needs in basic education. Volunteers work with community members to establish pre-school programs, kindergartens, youth groups, adult education programs, income generation activities for women, and local infrastructure projects. The integrated child development project, by focusing on improving children's readiness for school, aims to reduce the number of primary school drop-outs, decrease failure rates, and identify learning problems. Volunteers train parents, teachers, and community members in early childhood education activities.

One Volunteer provided organizational support and training opportunities for a group of women artists in a remote rural community who wanted to market their "primitive genre" paintings for income generation. The Volunteer arranged for the women to receive art lessons and refine their skills, to obtain basic business skills training, and to develop markets for their art. The women now market their art internationally.

### Environment

The environmental education project was redesigned last year to increase the awareness of school children, teachers, and community members on sustainable utilization of natural resources and the prevention and resolution of environmental problems. Volunteer activities include model teaching and coaching, as well as organizing workshops and seminars to train teachers in incorporating environmental topics into their regular curricula. Volunteers design education campaigns on the management and control of pesticides, garbage, water and air pollution, and deforestation using various media (radio, press, posters, seminars, etc.). Volunteers developed an environmental-education curriculum guide that was used as a training and teaching tool for approximately 4,000 primary and secondary school students and over 1,200 teachers across Costa Rica. This curriculum has been adopted by the Ministry of Education as the official environmental education curriculum.

The natural resource management project is designed to improve environmental conditions in small rural communities in Costa Rica by concentrating on renewable natural resources. Volunteers in this program assist farmers and other community members in basic resource management and conservation, including agroforestry, soil conservation, watershed management, pesticide safety, and waste management. During FY 1994, farmers, school children, and other community members planted over 320,000 trees. More than 700 Costa Ricans received training from Volunteers on the implementation of new, improved practices of pesticide safety.

One Volunteer coordinated the writing of a script and music for a very successful school play dealing with environmental topics. The play won several local and regional theatrical contests. Over 100 students in the community participated in the play, and a multinational pineapple company donated tree seedlings to be given to each participating family.

Population: 7,447,000  
 Annual Per Capita Income: \$1,080  
 Number of Years Peace Corps in Country: 32

### Peace Corps Country Overview:

The Dominican Republic remains the second poorest country in the Caribbean and the sixth poorest in the Hemisphere. Seventy percent of the Dominican population is below the line of poverty. Rapid urbanization has transformed the country from 70% rural to 70% urban in one generation. The microenterprise sector accounts for 23% of GDP and is often the recourse for the poor and women who have limited opportunities and face discrimination in the formal sector. Only 60% of the population has access to electrical power. Land degradation is exacerbated by slash and burn agriculture and widespread use of fuel-wood and charcoal to meet domestic energy needs. This contributes to the high degree of soil erosion, destruction of watersheds, decreased flow of streams and rivers, and decreased agricultural productivity.

### Resources:

	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Dominican Republic Trainees	94	82	84
Average # of Volunteers	146	149	142
Program Funds (\$000)	2,704	2,527	2,548

### Peace Corps Program by Sector:

#### Agriculture

Volunteers work to improve the technical knowledge of small farmers and encourage more efficient, productive, and sustainable agricultural management practices. Two Volunteers developed a year-long training program consisting of field visits, soil and water conservation practices, and agricultural techniques such as intercropping, pest management control, and organic composting. Another Volunteer is working with the Secretariat of Agriculture to develop an extension program for 12 communities in the Samana Bay region.

Several Volunteers in the Dominican Republic are actively promoting the proven natural pesticide extracted from the seeds of the Neem tree. They coordinate with the Secretariat of Agriculture, local non-governmental organizations, and the German Development Agency to establish local nurseries, educate Dominicans on the benefits of Neem products, prepare demonstration plots, and coordinate field days. Last year, more than 2,000 Neem trees were planted.

#### Economic Development

The micro enterprise development Volunteers work to increase the availability of credit and improve the quality of management in 30 organizations serving small business entrepreneurs in rural and marginal urban areas. Volunteers are assigned primarily to savings and loan cooperatives and provide technical assistance so that the cooperatives can effectively serve their membership on a sustained basis. Volunteers work predominantly at the organizational level to improve business institutions. They provide technical assistance that focuses on appropriate managerial procedures or systems in the areas of finance, accounting and controls, credit and collections, planning, human resources and group processes, marketing, and computerization. One Volunteer designed three Spanish-language operations manuals to improve the public perception of a local credit

cooperative, increase administrative control over employees, and increase the transparency of financial operations.

### Education

The community education project works to improve primary education in the Dominican Republic through the implementation of simple, easily replicable, low-cost programs, such as development and distribution of locally-produced materials, on-the-job teacher training, improvement of physical facilities, and the start-up and strengthening of parent associations. Volunteers are assigned to the Ministry of Education and assist Parent/Teacher Associations to plan, oversee, and improve the physical infrastructure and human resources of the educational system and organize training workshops to provide new teaching practices to teachers.

Working with Volunteers, 15 Parent/Teacher Associations and community groups planned, implemented, and evaluated infrastructure improvement projects including latrine construction projects, school repair, annexation, and construction projects. Twenty-eight new schools were incorporated into the joint Ministry of Education/Peace Corps resource center program. Volunteers have delivered more than 70 teacher training courses to help train the new schools' teachers in the production and use of didactic materials. Due to the success of the pilot resource centers and training program, the Ministry of Education has requested Peace Corps' assistance in opening up an additional 10 centers and is currently making plans to expand the resource center program to the national level.

### Environment

Volunteers are working to reverse soil erosion and environmental degradation and strengthen awareness among Dominicans concerning proper interaction with the environment. Volunteers work with 1,000 low-income, rural farmers in four geographic areas of the Dominican Republic to promote reforestation activities and the introduction of agroforestry and soil conservation techniques. In education, Volunteers assist the Ministry of Education to develop and implement environmental education programs which will train teachers on how to incorporate environmental concepts into their education curriculum. Agro-forestry Volunteers also assist five Dominican organizations to improve their capabilities to train small farmers in appropriate soil conservation and agroforestry practices according to specific needs, including seedling production, establishment of fruit tree production, multiple-use tree plots, live and dead barriers, contour planting, and alley cropping.

Volunteers helped 150 small farmers establish multiple-use wood tree plots on their lands. The project entailed establishing five regional nurseries, transplanting more than 70,000 wood and fruit trees, and incorporating appropriate soil conservation practices on the farmers' lands. Another Volunteer developed an environmental school manual to train school teachers in environmental education themes. The manual has been used to train more than 500 school teachers.

### Health

Through projects that focus on children's health and water sanitation, Volunteers work to reduce the risk of infant mortality in low-income families and institutionalize the management of potable water systems. Thirteen Volunteers offered training programs to more than 500 mothers on breast feeding, oral re-hydration therapy, growth monitoring, and acute respiratory infection, and 90 health care workers received training in delivering preventive health care interventions. Volunteers are also working to reduce the spread of HIV/AIDS by assisting in the distribution of education materials.

Population: N/A

Annual Per Capita Income: N/A

Number of Years Peace Corps in Country: 33

#### Peace Corps Country Overview:

The Peace Corps Eastern Caribbean program presently serves seven island nations, Antigua, St. Kitts/Nevis, St. Vincent, Dominica, St. Lucia, Montserrat and Grenada, with Volunteers spanning a 350 mile archipelago. These island nations share many similarities. Economically, they rely on agriculture, mainly bananas, sugar and spices, with tourism as an important industry, particularly in Antigua, St. Lucia, St. Kitts, and Grenada. The education system has not kept up with the expanding population. Lack of trained teachers and classroom space prohibit primary school graduates entrance to secondary levels, and less than 50% of eligible children attend secondary school. Teachers, particularly those in primary grades, are not well trained, and a high teacher turnover rate exists because of lack of training and low salaries. Volunteers are focusing their efforts on youth services, vocational education, and counseling, especially in the area of substance abuse.

#### Resources:

	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Eastern Caribbean			
Trainees	74	71	71
Average # of Volunteers	113	131	134
Program Funds (\$000)	3,268	3,372	3,494

#### Peace Corps Programs by Sector

##### Education

Volunteers work as resource teachers in the areas of physical education, language arts, math, science, and art. These activities are taking place at the primary, secondary and higher levels of education. In the science and mathematics secondary school education project, Volunteers on St. Vincent and the Grenadines currently are involved in classroom teaching, teacher training, and establishing local resource centers for science and mathematics.

Nineteen Volunteers on Grenada developed a new curriculum for teaching language arts. Over the life of the project, additional community libraries will be established in all seven parishes of Grenada. Two Volunteers work in the St. Vincent language arts project to develop reading and writing skills among primary school children and to improve language arts instruction among primary school teachers.

##### Environment

Volunteers work as environmental education resource teachers, community-based environmental educators, foresters, and community resource persons working with communities to identify environment-based economic development opportunities. In Dominica, Volunteers organize field trips to allow students the opportunity to become acquainted with local fauna and flora and gain first hand experience with local practices that result in pollution and soil erosion. One Volunteer organized a field trip that took some of her students to the Archbold Tropical Research Center—a local facility that is managed by a consortium of US universities and is considered a premier site for the study of the rain forest.

**Health**

Volunteers work to improve the blood donation system for one island's health department, train first aid workers, provide direct nursing care at district health centers, conduct health education programs, and work to upgrade St. Lucia's rehabilitative services. Through the blood services project on St. Lucia, Volunteers are helping to increase the quantity and quality of blood to approximately 5,000 units per year and to upgrade blood quality control mechanisms. The first aid education project, which is under the auspices of the St. Lucia Red Cross, is designed to reduce morbidity and mortality at the immediate site of an accident. Four Volunteers are now assigned to the project, working in such areas as emergency firstaid, parenting and child health, and first aid for children. Volunteers have given HIV/AIDS education seminars to more than 500 people.

Population: 11,258,000

Annual Per Capita Income: \$1,170

Number of Years Peace Corps in Country: 33

### Peace Corps Country Overview:

Ecuador is a poor country with a weak institutional structure, and limited access to basic services. The standard of living is poor, with a high infant mortality rate (up to 60 per 1000 live births) and minimal per capita income. The emphasis of Peace Corps development work has been in rural areas with a focus on agriculture, reforestation, environmental education, and health. Working with a broad spectrum of Ecuadorians—teachers, farmers, parents, and youth—Volunteers provide technical assistance and training to improve the health and well-being of the poor and to maximize the use of scarce resources.

### Resources:

Ecuador	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	106	104	103
Average # of Volunteers	177	187	182
Program Funds (\$000)	3,330	3,358	3,386

### Peace Corps Program by Sector:

#### Agriculture

Volunteers are working to introduce new methods that increase crop production and income for farmers and ranchers. Volunteer efforts are predominantly directed to the poor indigenous populations and include planting fruit plantations and non-traditional vegetables, selling products directly to customers, and using organic fertilizers. Volunteers have presented alternatives to cattlemen, sheep ranchers, and agencies through direct technical assistance and the use of training and demonstration centers.

One Volunteer has promoted and established at least 40 small fruit plantations and vegetable gardens with the use of organic fertilizers and worms. He has also organized several field days, conferences, workshops, and visits to experimental centers with small farmers on agricultural issues and food processing issues.

Another Volunteer initiated two successful programs which benefited the small cattle-ranchers. She was able to initiate and complete a project to open a veterinarian supply store, which lowered prices and improved access to essential veterinarian supplies for more than 100 small ranchers in the area. Another Volunteer helped initiate a genetic improvement program through the acquisition of 50 imported Rambouillet rams from the United States. These rams will serve as a genetic base for obtaining 2,500 improved breeding animals to improve the production of wool and meat in Ecuador.

#### Economic Development

Since 1982 Ecuador has experienced a severe economic crisis: there are high rates of unemployment and under-employment, inflation, external debt, and decreased purchasing power. Volunteer activities in this sector are targeted at people living at or near the poverty level and designed to support them through technical assistance. Volunteers help develop lending programs, conduct technical and administrative training for individuals and organizations, and assist individuals in the creation of new businesses. One Volunteer is working with

approximately 300 women who produce hand-woven straw hats. His assistance is aimed at training the women in accounting and inventory skills, quality control, and marketing strategies.

### Education

Given the limited economic and human resources available to the Ministry of Education, Volunteers work with Ecuadorian educators to increase the quantity and quality of special education services to deaf and mentally and physically challenged students to increase their living skills, economic independence, and community acceptance. Volunteers assist in the development of strong organizations, such as clubs and associations of deaf individuals.

One Volunteer was assigned to work as a teacher trainer/consultant at the Institute for the Deaf and Blind. Her efforts have led to improvements in teacher performance. Teachers are now conducting appropriate diagnosis of students, writing appropriate individual educational plans, and evaluating results.

### Environment

Working with non-governmental organizations in Ecuador, Volunteers are implementing projects aimed at improving environmental education and the restoration and conservation of natural resources. These projects try to implement economically and ecologically-sound projects, such as agroforestry, sustainable management of biological resources, and urban forestry. The purpose of this project is to restore, manage, or protect trees, forests, natural areas, and urban vegetation in at least 60 rural and urban communities so that these resources will be available on a sustainable basis. With the leadership of one Volunteer, a new protected area was created in the Province of Esmeraldas.

### Health

Respiratory illnesses, parasites, dehydration caused by diarrhea, and malnutrition are the leading causes of death for children under the age of five in Ecuador. The rural health project has approximately 30 Volunteers assigned to work in clinics in communities where currently no other national or international development organization is addressing the population's health needs. Rural health nurses and extensionists provide health education to improve hygiene practices, expand nutritional meals, and increase the use of oral re-hydration treatment solutions. Visiting five households a day, Volunteers identify and register families with children under the age of five. This year, mothers of over 2,000 children have received "Road to Health" growth monitoring charts and are able to understand and interpret the growth monitoring curve of their children. To promote better water and sanitation, Volunteers are working on the construction of new water and latrine systems in the rural areas.

Three Volunteers organized a one-day symposium on HIV/AIDS prevention for 110 women. The event brought together the Ministry of Health, the Pan-American Health Organization, a national pro-family organization, and non-governmental organizations. Another Volunteer worked as a technical consultant in the re-design and construction of potable water systems, latrines, and local schools. Approximately 1,000 rural families benefited from this work.

Population: 5,479,000  
 Annual Per Capita Income: \$1,320  
 Number of Years Peace Corps in Country: 17

### Peace Corps Country Overview:

El Salvador is experiencing severe economic and environmental problems due to population pressures and agricultural practices. Recent estimates indicate that only 15% of the rural population has access to potable water and approximately 50% of the population does not have access to sanitation services. Peace Corps returned to El Salvador in June of 1993 after a 13-year absence. Volunteers are working with Salvadoran agencies to help rebuild communities and develop sustainable economic and environmental activities.

### Resources:

El Salvador	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	24	33	33
Average # of Volunteers	19	30	49
Program Funds (\$000)	680	863	1,023

### Peace Corps Program by Sector:

#### Economic Development

Salvadorans face a number of serious economic problems. Volunteers are assisting local community groups and cooperatives to develop income generating activities, such as the sale of artisan goods. They also help municipal governments manage development projects under the national reconstruction program and work with national and international non-governmental organizations that provide technical assistance to Salvadoran organizations. One Volunteer is working with a small community bank to provide marketing advice to women who produce food and clothing products for sale in local markets.

#### Environment

Ninety-eight percent of El Salvador's original forest has been cut, and soil erosion seriously affects 50% of the land—up to 1 inch of topsoil is lost annually. Volunteers work to increase acreage that uses sustainable agroforestry techniques, increase availability of on-farm fuel wood, and train individuals or groups on environmental related issues. Volunteers also train small scale farmers in nursery production, environmental education, rational use of pesticides, and soil conservation.

One Volunteer in Villa El Triunfo, Usulután, assigned to the Ministry of Agriculture extension program, works with individual farmers to promote the use of a plant that helps prevent soil erosion and improve soil fertility through plowing and mulch management for hillside farming.

#### Health

Access to potable water and sanitary services, especially in rural areas, is severely limited in El Salvador. Volunteers are helping communities build latrines, improve sanitary waste disposal systems, increase access to

potable water, and maintain water and sanitation systems. Volunteers also focus on educating the communities on good hygiene practices and the relationship between health and water quantity/quality.

One Volunteer's primary assignment is building latrines and water systems for individual families. His background in civil engineering also has enabled him to assist the community in building a bridge across a river which, during the rainy season, rises to a point beyond which neither people nor vehicles can pass. This prevented students and teachers from attending school in the neighboring town, and forced businesses dependent on the agriculture products from across the river to wait days for the water level to subside.

Population: 10,021,000

Annual Per Capita Income: \$1,110

Number of Years Peace Corps in Country: 32

### Peace Corps Country Overview:

According to the World Bank, 74% of Guatemala's population lives in absolute poverty. Only 41% of the population has access to running water, and only 52% has access to adequate sanitation. Guatemala also suffers from a high rate of infant and child mortality, lack of economic opportunities for its rural population, and widespread overuse of pesticides that are causing health and environmental pollution problems. Volunteers work with public and private institutions in Guatemala providing assistance through ten different projects in the agriculture, environment, health, and economic development sectors.

### Resources:

Guatemala	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	118	114	113
Average # of Volunteers	210	219	206
Program Funds (\$000)	3,433	3,461	3,413

### Peace Corps Program by Sector:

#### Agriculture

Through the agriculture diversification project, Volunteers have helped farmers learn new farming techniques to increase agricultural production. In 1994, Volunteers worked on the construction of 10 green houses, where three new vegetable species were cultivated. Volunteers also helped establish more than 700 vegetable and fruit gardens which have been used for both home consumption and sale in Guatemala.

Corn and bean yields have been increased due to the use of improved seed selection technologies introduced through the seed improvement and post-harvest management project. Volunteers also have helped communities make significant reductions in their post-harvest losses by encouraging the use of cement silos. During 1994, the incomes of 60 integrated agriculture systems project participants increased by 20% due to the introduction of fish and small animals production practices.

#### Economic Development

A lack of adequate managerial skills is endemic among the small business owners in Guatemala. This has resulted in low incomes and difficulty in generating employment opportunities. Since Peace Corps' economic development project was started in Guatemala in 1988, more than 2,500 small entrepreneurs have received technical assistance training from Volunteers. One Volunteer developed a pamphlet which is currently being printed and used nationally by the Guatemalan National Cooperative Institute. Another Volunteer developed a pamphlet on accounting and administration practices, which is now being reproduced locally and used in more than twenty Guatemalan agency offices across the country.

## Environment

Widespread use of firewood for food preparation and traditional agriculture practices in the countryside have resulted in significant deforestation problems for Guatemala. Volunteers in conservation and natural resource management work with farmers on soil conservation techniques and reforestation practices designed to increase family income. Volunteers also work in the protection and management of natural resources in biospheres and national parks. Since 1992, the environmental conditions of rural farm families have improved through the introduction of appropriate technology. With Volunteer support, beneficiaries now use more efficient stoves that require 40% less wood. In addition, Volunteers have helped build water storage tanks and pit and dry compost latrines to address water and sanitation needs in rural communities.

In the town of Quetzaltenango, one Volunteer worked with 15 women to organize a vegetable growing project using permaculture techniques. Another Volunteer established a coffee plant nursery project for a group of eight farmers and started a bakery project with 12 families. Over 600 small farmers who received technical support training from Volunteers on modern agroforestry technical systems have since developed new management plans on their lands.

## Health

Through health education campaigns in rural areas, Volunteers work to reduce the incidence of diarrhea, the second leading cause of death in Guatemalan children under five years of age. During 1994, Volunteers trained over 140 health promoters and 60 midwives in the prevention and correct treatment of diarrhea and intestinal parasites, which resulted in over 2,200 families receiving health education training. Other Volunteers facilitate nutrition training and education programs at the institutional and community level. Since 1992, over 3,000 Guatemalan women and rural teachers in 450 communities have become involved in nutrition education and gardening activities that have increased the nutritional status of farm families.

Population: 812,000

Annual Per Capita Income: \$350

Number of Years Peace Corps in Country: Re-entry in 1995

### Peace Corps Country Overview:

After a 24-year absence, Peace Corps is sending five experienced transfer Volunteers to Guyana in June 1995 to begin new projects in health and youth enterprise. The Guyanese health system suffers from a lack of facilities, equipment, supplies, and a trained work force, particularly in the areas of prevention and primary care in rural areas. Several Volunteers will be assigned to work with senior officials in the Guyanese Health Ministry, non-governmental organizations, and local community health groups to improve the delivery of health services throughout the country. Guyana is adjusting its economy from centralized, state-owned, and state-run enterprises toward a freer, market-oriented economy. There is a need for credit, training, and technical assistance in microenterprise and economic development. The initial emphasis of this project will be on youth enterprise activities, particularly in the areas of basic business education and Junior Achievement-type training initiatives. Peace Corps expects to send twenty new trainees to Guyana in September of 1995.

### Resources:

Guyana	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	0	19	19
Average # of Volunteers	0	5	25
Program Funds (\$000)	0	403	726

Population: 5,581,000  
 Annual Per Capita Income: \$580  
 Number of Years Peace Corps in Country: 33

### Peace Corps Country Overview

Honduras is one of the least developed countries in Central America, and it faces significant problems including extreme poverty, high illiteracy and unemployment, shortages of basic foods, ecological degradation on a national level, and one of the highest child and maternity mortality rates in the hemisphere. The vast majority of small farmers in Honduras are extremely poor, with per capita incomes of about \$300 per year. Deforestation and environmental degradation are increasing as poor farmers begin to cultivate more marginal and environmentally-sensitive land. The infant mortality rate in rural Honduras continues to be high (80 per 1,000 live births), and 45% of children in rural areas are moderately or severely malnourished. In five of the eight health regions of Honduras, 25% of the population obtain their water from rivers and creeks, and 59% do not use simple latrines. There are now approximately 200 Volunteers working in seven project areas: hillside agricultural extension, environmental education, wildlands/protected areas management, child survival, water/sanitation, primary education, and economic development.

Resources:

Honduras	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	118	116	115
Average # of Volunteers	183	203	190
Program Funds (\$000)	3,038	3,082	3,118

### Peace Corps Program by Sector:

#### Agriculture

Volunteers are assisting hillside farmers in sustainable production techniques to generate food for their families and generate income. Volunteers train farmers in soil conservation and enrichment, integrated pest management, and improved agricultural practices for basic grains and vegetables. Volunteers work initially at the village level and train individual farmers. Eventually, they form community groups and rely more upon the local leaders to teach fellow farmers. Since 1990, of the 1,100 farmers trained through workshops and educational field trips, more than 700 have changed from traditional farming practices to improved practices, and almost 120 village leaders have been selected and trained to conduct hillside farming extension work. Almost 800 acres of land have been protected with soil conservation structures, and more than 1,300 acres have been enriched through organic methods. Over 250 farmers have reduced their production costs by using integrated pest management techniques.

One Volunteer develops model farms and trains farm leaders from his community and surrounding villages. He organized a mobile agricultural exposition which, with the assistance of his farmer leaders, explains to the general public the importance of soil conservation and organic methods for pest control and soil improvement. Another Volunteer is helping a farmer leader establish his own model farm and agricultural training center. She organized an agricultural exposition where farmers, including women farmers, exchanged information and traded varieties of leguminous seeds.

### Economic Development

The purpose of the economic development project is to increase the income of participants to a level of \$100 a month and to create 1,000 self-employment opportunities. Volunteers are assigned to savings and loan cooperatives, community banks, or Junior Achievement programs. Volunteers train entrepreneurs in basic bookkeeping systems, finance, production and marketing skills, preparation of profit and loss statements, cash flow analysis, and inventory controls. Volunteers also assist entrepreneurs in developing markets for their products by involving them in local, regional, and national crafts fairs, and by creating an export clearing house for crafts. Since 1991, 300 small business owners have been trained in business management, and over 450 students have been trained through Junior Achievement activities. Seven savings and loan cooperatives have been strengthened, 3,000 women have received loans from community banks, and new markets have been developed for over 270 artisan products.

One Volunteer and his Honduran counterparts from the Junior Achievement program formed a new Chamber of Commerce in the city of Gracias, Lempira. Products produced by the Gracias Junior Achievement chapter have gained national recognition for their quality and unique styles.

### Education

Volunteers are working with Honduran educators to improve the skills of school children to enable them to participate effectively in family and community activities. Special education is being integrated into primary education to develop the basic skills needed by teachers in regular classrooms, as well as special resource rooms. Volunteers train teachers in personal and professional self-esteem, development of student self-esteem, motivation and professional accountability, and innovative methodologies to enhance the quality of teaching and the learning process. Volunteers also increase the level of teacher resources by developing a variety of teaching aids, materials, and manuals. Since 1990, more than 800 teachers have been trained in regular education skills, and nearly 300 teachers have been trained in special education skills.

One Volunteer, with support from the Peace Corps Partnership Program, constructed a one-way observation laboratory in a school where student teachers observe demonstrations of teaching techniques and evaluate the reactions of children.

### Environment

Volunteers are conducting wildlands/protected areas management in Honduras, designed to improve the living conditions of rural populations in the buffer zones surrounding protected areas, and to preserve the biodiversity of the protected areas. Volunteers facilitate training workshops and sessions for management teams working in 20 protected areas. They also create base maps with inventories of natural resources, mark the boundaries of protected zones, and take management teams on educational trips to these areas. Volunteers collaborate with teachers to begin community and school environmental education programs which include outdoor activities and the formation of youth conservation groups. Volunteers also work in organic agriculture and agroforestry and develop audiovisual presentations on important environmental issues. Since 1991, over 10 management teams have been formed, and institutional support and training has been provided to 10 non-governmental organizations and community groups.

Volunteers are also engaged in efforts to promote environmental awareness and develop environmental education activities in Honduras. Volunteers train teachers in curriculum development, innovative teaching methods, including outdoor activities, and creation of environmental resource centers. Volunteers form youth conservation groups and education committees to organize community and school projects and promote environmental issues through the media. Volunteers also work to strengthen the organizational self-sufficiency of 10 environmental non-governmental organizations. Since 1990, teachers have been trained and an integrated environmental education curriculum has been institutionalized nationally in cooperation with the Ministry of Education.

One Volunteer formed a local chapter of the Bay Islands Conservation Association (BICA) on the island of Utila. In three years, the chapter has raised over \$9,000 to establish a mangrove reserve, provide marking buoys for coral reef protection, and support the operation of a visitors information booth. Another Volunteer developed an environmental education program in cooperation with an archaeological park which contains Mayan ruins. Activities included a native tree reforestation project, nature trails with information signs, and the exposition of children's environmental art work at the visitors center. In 1994, over 1,400 students visited the park.

### Health

Volunteers are working on two health projects in Honduras: child survival and water/sanitation. The purpose of the child survival project is to improve health in rural communities, particularly for infants and children under 5 years of age. Volunteers train midwives in breastfeeding, vaccination techniques, the dangers of high-risk pregnancies, newborn examinations, and how to refer people to health care centers. Volunteers train health care workers in vaccinations, use of oral re-hydration salts, treatment of acute respiratory infections, and child growth monitoring. Volunteers also help create community health action groups and provide assistance with problem-identification, problem-solving and evaluation. Since 1991, 150 midwives and health guardians have been trained; and over 30 health action groups have been formed and trained. A new project initiative in the health sector is to promote HIV/AIDS education and prevention.

The water/sanitation project is designed to improve water and sanitation conditions in communities through the training of community groups and the implementation of water systems and latrine projects. Volunteers also form health committees, provide training in hygiene practices, and work with the members to develop appropriate instructional methodologies. Since 1990, more than 700 training programs for community water associations have been carried out. Volunteers have helped construct more than 200 water systems, 5,500 latrines, six bridges, four irrigation systems, and two sewer systems. New project initiatives include solid waste management and water quality activities and increasing the participation of Honduran youth in the project.

Population: 2,415,000  
 Annual Per Capita Income: \$1,390  
 Number of Years Peace Corps in Country: 33

### Peace Corps Country Overview:

Jamaica's economy relies on tourism and natural resources, primarily bauxite, as well as traditional plantation agriculture, particularly sugar and bananas. Female workers account for 46% of the total labor force, but the incidence of unemployment is over twice as great for women. Although official unemployment is 16%, there remains considerable underemployment because of the seasonal nature of the tourism industry and of cash-crop cultivation. Unemployment among the country's youth, in particular, is a major problem. At the same time, however, the island suffers from a severe shortage of skilled labor, partly because of the high level of external migration.

### Resources:

Jamaica	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	61	67	66
Average # of Volunteers	112	101	100
Program Funds (\$000)	2,243	2,190	2,263

### Peace Corps Program by Sector:

#### Agriculture

Severe cut-backs in personnel at the Ministry of Agriculture, lack of adequate funds, and inappropriate land use patterns have imposed significant constraints on the development and performance of Jamaica's agriculture industry. Inappropriate farming practices are also causing environmental degradation. Volunteers provide technical assistance to government and non-government programs designed to benefit hillside farmers through increased crop yields and income. Volunteers assisted a group of 12 boys placed in a government-operated children's home to acquire basic skills in gardening. One worked with 35 female high school students through a Key Club to develop a greater appreciation for the importance of agriculture to the Jamaican society as well as introducing them to interesting career opportunities in agriculture. One Volunteer worked with a group of women to acquire skills in vegetable growing, fruit preservation, craft work, and family life. Although the volunteer completed her service, the group is still functioning under a Social Service Unit.

#### Economic Development

While there has been a significant increase in recent years in the number of Jamaicans who have started small business ventures, statistics show that almost 70% of these new ventures fail within five years. This high attrition rate has led to increases in unemployment and reductions in family incomes. Government and private organizations have begun to provide job training programs and enhanced access to credit. Volunteers help Jamaican entrepreneurs develop viable enterprises and strengthen the technical capabilities of small business agencies and credit institutions. Volunteers also work with programs to improve the skills and employment opportunities for women.

Two Volunteers were involved in a community-based business pilot program which helped to design credit proposals for 160 people. These proposals were sent to various small business credit institutions, and 140 were approved for funding, leading to the expansion of existing businesses and the start up of new businesses in their communities.

### Education

Since Jamaica became independent in 1962, Volunteers have participated in the educational fields of science, math, environment, special education, and vocational and technical education, as both classroom and college-level teachers. Since then some 100,000 students have benefited from these programs. A severe shortage of qualified teachers, low standardized test score results, as well as decreased numbers of students graduating from secondary schools are all concerns that are being addressed by Volunteers in Jamaica.

Volunteers conduct teacher training workshops for Jamaican teachers in secondary math and science, vocational education, remedial reading, and secondary education. Volunteers also are working to upgrade the skills and abilities of teachers in primary schools and at special education centers to address the needs of children with learning disabilities. One Volunteer has been instrumental in the development of an eco-tourism area assessment that may eventually lead to the formulation of a national park in Jamaica. Another Volunteer conducted psychometric tests in most regions of the country, which are being used by the Ministry of Education to initiate necessary changes in the programs developed for special needs children.

### Environment

Volunteers are working with the government and thirteen non-government organizations, as well as numerous community groups to increase environmental awareness. Volunteers are assisting in developing educational materials, enhancing teaching techniques, and creating local projects to reduce environmental degradation. For example, the Hope Zoo Education Committee has been working with teachers at all levels to incorporate environmental themes in the curriculum. One Volunteer has worked with a major supermarket to introduce cloth shopping bags, designed to discourage the use of disposable plastic bags. Volunteers have organized several environmental groups to provide data on four species of endangered sea turtles.

### Health

Volunteers are working with government agencies, non-government organizations, and private voluntary groups to increase the Jamaican public's awareness of health issues, particularly in the prevention and early detection of various diseases such as cancer and sexually-transmitted diseases. In addition, Volunteers support the Ministry of Health's efforts to strengthen primary and secondary health care services, assist in the training of health care professionals, and upgrade health and recreational services for disabled children, which benefit more than 25,000 Jamaicans in 15 communities.

Population: 3,982,000

Annual Per Capita Income: \$360

Number of Years Peace Corps in Country: 14

### Peace Corps Country Overview:

Conditions in Nicaragua have improved since December 1991, when the first group of Peace Corps Volunteers returned. However, according to the World Bank, 19% of the population still lives in extreme poverty due to economic disruptions, poor harvests, natural disasters, and other problems. Many Nicaraguans have only limited access to adequate medical care, little ability to purchase necessary drugs, and suffer from malnutrition and disease. Volunteers are working with the government and non-governmental organizations in efforts to confront these problems.

### Resources:

Nicaragua	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	44	57	57
Average # of Volunteers	42	73	103
Program Funds (\$000)	1,121	1,535	1,873

### Peace Corps Projects by Sector:

#### Economic Development

Volunteers are working with Nicaraguan agencies to provide credit, management skills, and technical assistance to microenterprises to create employment opportunities for people living in poor rural and urban areas.

#### Environment

Over the last twenty-five years deforestation and soil erosion has occurred at a rapid rate in Nicaragua due to subsistence (slash & burn) farming methods, a growing market-based agriculture, and traditional fuelwood cutting and charcoal production. These problems are compounded due to the fact that natural resources are poorly utilized and basic government-provided services are limited. Community initiatives to address these problems are inhibited by the generally low income of rural inhabitants and traditionally weak community organizations. One Volunteer, working with a group of Nicaraguan women, successfully built 20 new wood-burning stoves that are more efficient and consume less wood.

#### Health

Volunteers work with the Ministry of Health and private voluntary organizations to provide basic health education in rural communities. The preventative health education program focuses on informing community members about cholera, malaria, nutrition, drug and alcohol abuse, HIV/AIDS, maternal/child care, vaccination, first aid, and oral re-hydration.

Population: 2,563,000  
 Annual Per Capita Income: \$2,580  
 Number of Years Peace Corps in Country: 13

### Peace Corps Country Overview:

During the last fifteen years Panama has experienced a dramatic deterioration of its environment. The unplanned and exhaustive use of natural resources, together with the lack of conservation practices, has created environmental problems such as deforestation, erosion, pollution, loss of biological diversity, and the degradation of the coastal and marine systems. To address these problems, approximately 70 Volunteers are serving in environmental education and agroforestry projects.

### Resources:

Panama	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	41	38	38
Average # of Volunteers	58	70	68
Program Funds (\$000)	1,293	1,323	1,370

### Peace Corps Program by Sector:

#### Environment

Volunteers are working with Panamanian farmers to introduce new, sustainable agriculture techniques, and are providing agroforestry training in soil conservation, pest control, hillside farming technologies, nursery development, and reforestation techniques.

One Volunteer initiated a reforestation project within the perimeter of Soberania National Park. Due to the success of this project, Panama's Institute for Renewable Natural Resources has adapted its park use policies to allow local communities to create buffer zones along park borders that integrate the planting of trees in fire breaks with the cultivation of subsistence crops. The pilot project is being replicated in four communities and is having a major impact on the creation of effective buffer zones around the park. Another Volunteer has successfully implemented the first participatory buffer zone management project which gives families in the community the option of growing basic food grains within the adjoining Soberania National Park boundaries.

Volunteers, in collaboration with the Ministry of Education, have developed activity guides for grades one through six that integrate environmental themes into the existing primary school curriculum. These guides serve as the basis of a Ministry-sponsored effort to formalize the inclusion of environmental education in the national school system. Environmental education guides for kindergarten will be initiated in 1995, and the development of a junior high school environmental education guide is now being planned.

Population: 4,651,000

Annual Per Capita Income: \$1,500

Number of Years Peace Corps in Country: 28

### Peace Corps Country Overview:

One of Paraguay's greatest challenges is creating enough new jobs for its population. Over 40% of the urban work force is self-employed or works in companies with fewer than five employees. Many people entering the labor force are youth who live in the countryside and often migrate to urban areas to look for jobs. These young workers lack business skills and access to financial credit. Paraguayan farmers do not take advantage of opportunities to diversify their crops, suffer from low family incomes, and are often not familiar with modern pesticide techniques. These factors and others have led to serious problems of environmental degradation in Paraguay, particularly in deforestation, soil erosion, and water sanitation. Maternal, infant, and child mortality rates are high in Paraguay, and many rural areas of the country do not have access to basic health care services.

### Resources:

Paraguay	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	115	103	101
Average # of Volunteers	191	198	190
Program Funds (\$000)	3,253	3,115	3,092

### Peace Corps Project Sector:

#### Agriculture

The Paraguayan Government's Agricultural Extension Agency assists approximately 20% of the 255,000 small-scale farmers in Paraguay. Volunteers are working with the Agency to increase the number of farmers who receive this assistance. Volunteers also motivate small-scale farmers to maximize their use of material and natural resources in order to improve their social and economic conditions. They train farmers in modern soil conservation and pest control techniques, assist in the vaccination of pigs and chickens, and encourage the development of school and home gardens. Volunteers worked with more than 250 farmers on crop diversification projects and helped 12 families begin a factory for producing starch from the Paraguayan potato. With the assistance of a Volunteer, the families secured a loan of \$3,500 from the government to purchase the necessary equipment to build the factory themselves.

Volunteers assigned to the beekeeping project also work with the Agricultural Extension Service where they are assigned to rural extension offices to assist farmers in all phases of beekeeping operations: hive construction, installation, management, and honey harvest, as well as assisting farmers in obtaining supplies on credit and marketing the honey.

#### Economic Development

Through the cooperative promotion project, Volunteers help Paraguayan cooperatives increase the number and quality of services they provide to members through improved financial planning and appropriate organizational and educational techniques. Volunteers work to increase the income of families living both in rural and marginal, low-income urban areas throughout eastern Paraguay, and to provide practical training to

Paraguayan youth (under age 25) in the management of small enterprises. By providing advice in management, credit and financial analysis, and marketing, Volunteers work to strengthen lending institutions and improve the support provided to smaller businesses. Volunteers also work to improve the efficiency of microenterprises by offering training in business management, marketing, and basic accounting.

The cooperative shelter project works to enhance cooperative credit unions' capabilities to provide financing services for housing to their members, and to train credit union managers in the design and implementation of shelter programs. One Volunteer worked with a new cooperative by providing training in budgeting and credit lending. The cooperative is now operational and servicing 200 members.

### Education

Education receives a relatively high percentage (14%) of the national budget, and Paraguay has made a number of important improvements in its education system in recent years, including the construction of regional education centers and the establishment of teacher-training programs. Volunteers have played a large role in this progress and are working with government agencies and local communities to further strengthen the education system.

Volunteers are supporting the Ministry of Education's efforts to develop and implement a bilingual curriculum for Guara speaking students. Volunteers also participate in forming parents' groups to support local efforts, such as creating tree nurseries, starting school gardens, and involving over 975 children in fluoride campaigns.

Volunteers assigned to work in the teachers' colleges work directly with the professors and student teachers to improve teaching methodologies for Paraguay's future teachers and contribute to the development of an efficient and viable education system. In addition to introducing new techniques, special education Volunteers have been responsible for organizing parents' groups, Special Olympics, and promoting awareness of the needs of special children. Since 1993, more than 800 students participated in self-esteem classes organized by Volunteers and 250 children completed vision tests.

### Environment

Paraguay is experiencing an alarming degradation of its forestry, soil, water, and wildlife resources due to rapid expansion of agriculture/livestock activities and small-scale industrialization. Volunteers have developed two resource management/conservation projects to slow this resource degradation and encourage sustainable management of forests, farmlands, soil, water, and wildlands.

Volunteers work to raise environmental awareness in buffer-zone communities by training local teachers and governmental extension workers to prepare environmental education presentations for schools. With the assistance of agroforestry Volunteers, farmers and students in buffer-zone communities planted over 24,000 of 122,000 tree seedlings they had produced. These trees were principally for the production of citrus, Yerba mate (a green tea), forage, and fuelwood. Over 120 farmers received training from Volunteers in citrus grafting and grafting of improved resistant varieties of sound rootstock. Volunteers established 15 small tree nurseries, constructed soil conservation structures on 65 farms, and provided farmers with safe pesticide use information.

### Health

Volunteers help rural communities identify and implement solutions to their health problems. Volunteers train community leaders (teachers, parents, community health workers), help to coordinate projects, and serve as liaisons for obtaining local and national resources for health care projects. They strengthen health programs that are designed to improve child survival, parasite prevention, health care for pregnant women and their children, family nutrition, dental care, and sanitary conditions in the home.

Volunteers have developed six "mothers' clubs," which serve more than 300 children under the age of five.

These clubs focus on the themes of pre- and post-natal care and child survival. Volunteers serve at local health centers that offer health care to 1,500 people and conduct vaccination campaigns for 500 children.

Volunteers also work with farm families to improve health care for pregnant and lactating women, sanitary conditions in the home, and nutrition in local diets. Seven Volunteers joined with 21 teachers to plan a summer health camp for approximately 350 young students. The camp focuses on health care as well as self-esteem programs. Volunteers inspect water sources and sanitary facilities, build latrines, install running water systems, protect and sanitize wells and water sources, provide general health education, and proper waste disposal techniques. Through Volunteers' assistance, three communities have installed approximately 60 household running-water systems which have benefited more than 350 people.

Population: 405,000  
 Annual Per Capita Income: \$1,210  
 Number of Years Peace Corps in Country: Entry in 1995

### Peace Corps Country Overview:

In 1994, Peace Corps received a formal invitation from Suriname to begin planning the establishment of a new Volunteer program, and the formal country agreement between the United States and Suriname was signed in January 1995. The Surinamese government has asked that Volunteers serve as rural Community Development specialists. Peace Corps is sending five experienced transfer Volunteers to Suriname in the summer of 1995 to begin new projects in integrated community development in rural zones of the country.

### Resources:

Suriname	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	0	19	19
Average # of Volunteers	0	4	25
Program Funds (\$000)	0	402	725

### Peace Corps Program by Sector:

#### Agriculture

During the initial stages of the Peace Corps program in Suriname, Volunteers will be assigned to integrated community development projects in the central and southern regions of the country. There is a need to expand technical training opportunities to prepare the workforce for Suriname's expanding and technology-driven economy. As the program matures over a two- to three-year period, it may develop a focus on sectors of particular interest to the host communities, such as agriculture, health, economic development, and education.

Population: 3,147,000  
 Annual Per Capita Income: \$3,910  
 Number of Years Peace Corps in Country: 16

### Peace Corps Country Overview:

With only 0.19% of its national territory in protected areas, Uruguay lags far behind every other country in Latin America in conservation of its natural resources. Efforts to address the country's environmental problems have recently been initiated by the government, yet ministries and local agencies lack financial and technical support. Volunteers are assisting the country by providing specialists in technical aspects of natural resources management and in environmental education. Uruguay's stagnant economy has been affected by at least three specific problems: entrepreneurs with poor business skills, credit and market infrastructures which hinder small businesses, and a lack of opportunity to enter business fields, especially for women and youth.

### Resources:

Uruguay	FY 1994 Actual	FY 1995 Estimates	FY 1996 Estimates
Trainees	32	33	34
Average # of Volunteers	37	44	58
Program Funds (\$000)	1,566	1,588	1,768

### Peace Corps Program by Sector:

#### Economic Development

Volunteers are working to improve the management skills of entrepreneurs and strengthen the credit and market infrastructure of Uruguay's stagnant economy. Volunteers provide advice and information to more than 800 small business entrepreneurs in such areas as basic business operations, business administration, accounting, formation and execution of business plans, business cost analysis, and marketing strategies. Working with the women of a small tomato sauce cooperative, one Volunteer helped double the cooperative's clientele through product quality and processing improvements.

#### Environment

Volunteers work to provide long-term protection and restoration of natural areas in six watersheds through technical training. They conduct biological inventories, execute management plans, train park guards, and design trails for parks. Volunteers also work to increase environmental awareness by working with local schools, park guards, and community groups surrounding protected or fragile areas. In addition, Volunteers work to assist in the training of personnel in eco-tourism, scientific studies, promotion of youth conservation groups, and management of wilderness areas.

**AGENCY FOR  
INTERNATIONAL DEVELOPMENT**



**Congressional Presentation  
Fiscal Year 1996**

(1043)



U.S. AGENCY FOR  
INTERNATIONAL  
DEVELOPMENT

February 24, 1995

*The Administrator*

**TO THE CONGRESS OF THE UNITED STATES:**

On behalf of the U.S. Agency for International Development (USAID), I am pleased to transmit the Agency's request for authorization and appropriation for fiscal year 1996.

The U.S. foreign assistance program is a vital component of American foreign policy. USAID's activities directly advance America's national interests by promoting regional security, preventing crises, building markets for American exports and helping foster open governments and open markets around the globe.

I am proud that during the last two years USAID has been one of the lead agencies in the Vice President's National Performance Review. By announcing the closing of 27 missions, completing an agencywide rightsizing, reducing total staff by 1,200 and dramatically reducing project design time, the Agency is ensuring that it will be able to more effectively promote American national interests in the post-Cold War period.

Broad-based economic growth is the key to sustaining progress in the developing world. But lasting economic growth cannot be realized without democratic forms of government to ensure accountability, sound environmental stewardship to properly manage resources, and population growth rates that are stable enough not to undermine social and economic reforms. We believe that an integrated approach to development is fundamental to helping nations help themselves. As a result, USAID concentrates its efforts on five interrelated areas: encouraging broad-based economic growth, stabilizing population growth and improving human health, building democratic participation, protecting the environment, and providing humanitarian assistance.

This Congressional Presentation document provides the justification for, and detailed descriptions of, the Agency's programs and objectives. These descriptions include indicators of progress against which the success of the Agency's programs can be measured. USAID is committed to demonstrating results in every facet of its work.

I look forward to working with the Congress as you proceed to hear testimony and to mark up legislation to authorize and appropriate funds for these programs in fiscal year 1996.

Brian Atwood

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT  
FY 1996 CONGRESSIONAL PRESENTATION

Table of Contents

	<u>Page Number</u>
Introduction . . . . .	5
Statement of the Administrator . . . . .	6
Program and Management Performance . . . . .	11
Summary of Budget Request . . . . .	28
 Regional Programs	
Africa	
Overview of Africa Region . . . . .	35
Angola . . . . .	47
Benin . . . . .	53
Burundi . . . . .	57
Central African Republic . . . . .	62
Congo . . . . .	65
Eritrea . . . . .	68
Ethiopia . . . . .	72
The Gambia . . . . .	80
Ghana . . . . .	84
Guinea . . . . .	90
Guinea-Bissau . . . . .	96
Kenya . . . . .	99
Madagascar . . . . .	106
Malawi . . . . .	113
Mali . . . . .	120
Mozambique . . . . .	127
Namibia . . . . .	134
Niger . . . . .	140
Nigeria . . . . .	147
Rwanda . . . . .	153
Senegal . . . . .	158
Somalia . . . . .	165
South Africa . . . . .	170
Tanzania . . . . .	180
Uganda . . . . .	187
Zambia . . . . .	195
Zimbabwe . . . . .	203
Africa Regional . . . . .	211
Regional Economic Development Services Offices . . . . .	224
Greater Horn of Africa Initiative . . . . .	229
Southern Africa Initiative . . . . .	236

<b>Asia and Near East</b>	
Overview of Asia and Near East Region	243
Bangladesh	254
Cambodia	263
Egypt	270
India	282
Indonesia	290
Israel	300
Jordan	302
Lebanon	310
Mongolia	314
Morocco	318
Nepal	325
Philippines	332
Sri Lanka	340
West Bank and Gaza	347
Yemen	353
Asia and Near East Regional	358
East Asia Regional	362
<b>Europe and New Independent States</b>	
Overview of Europe and New Independent States	368
Albania	377
Armenia	384
Azerbaijan	391
Belarus	395
Bosnia-Herzegovina	399
Bulgaria	403
Croatia	409
Cyprus	414
Czech Republic	416
Georgia	423
Hungary	428
Ireland	436
Kazakhstan	438
Kyrgyz Republic	445
Latvia	451
Lithuania	456
Former Yugoslav Republic of Macedonia	462
Moldova	468
Poland	475
Romania	481
Russia	487
Slovak Republic	500
Slovenia	505
Tajikistan	508
Turkey	512
Turkmenistan	515
Ukraine	518
Uzbekistan	526
Central and Eastern Europe Regional	530
New Independent States Regional	532

<b>Latin America and Caribbean</b>	
Overview of Latin America and Caribbean Region . . . . .	<b>536</b>
Bolivia . . . . .	<b>547</b>
Brazil . . . . .	<b>556</b>
Colombia . . . . .	<b>563</b>
Dominican Republic . . . . .	<b>567</b>
Ecuador . . . . .	<b>574</b>
El Salvador . . . . .	<b>581</b>
Guatemala . . . . .	<b>587</b>
Guyana . . . . .	<b>596</b>
Haiti . . . . .	<b>601</b>
Honduras . . . . .	<b>608</b>
Jamaica . . . . .	<b>614</b>
Mexico . . . . .	<b>622</b>
Nicaragua . . . . .	<b>628</b>
Panama . . . . .	<b>635</b>
Paraguay . . . . .	<b>641</b>
Peru . . . . .	<b>647</b>
Central America Regional . . . . .	<b>653</b>
Latin America and Caribbean Regional . . . . .	<b>663</b>
<b>Central Programs</b>	
Central Program Overview . . . . .	<b>675</b>
Credit Programs . . . . .	<b>685</b>
International Disaster Assistance . . . . .	<b>689</b>
P.L. 480 Food for Peace . . . . .	<b>692</b>
USAID Operating Expenses . . . . .	<b>696</b>
Inspector General Operating Expenses . . . . .	<b>700</b>
Foreign Service Retirement and Disability Fund . . . . .	<b>702</b>
<b>Glossary of Terms</b> . . . . .	<b>703</b>
<b>Abbreviations and Acronyms</b> . . . . .	<b>707</b>

## INTRODUCTION

The U.S. Agency for International Development's (USAID's) FY 1996 Congressional Presentation (CP) reflects the Administration's program and budget justification for the bilateral foreign assistance program.

The CP document summarizes the budget request and discusses the programs and activities implemented through USAID's centrally funded programs and through the four geographic regions (Africa, Asia and the Near East, Europe and the New Independent States, and Latin America and the Caribbean).

Because the planning for achieving strategic objectives described in this presentation takes place so far in advance of the actual obligation of funds, some of the programs do not go forward as planned, new ones are added, and some undergo minor or substantial funding and program changes before agreements are reached with the recipient countries. In each instance, however the appropriate Congressional committees will be given 15 days notice before changes are effected, as required by the law. A Statistical Annex providing details for the USAID-managed programs will be provided following enactment of the FY 1996 appropriations.

A separate annex of Summary Tables is included with this Congressional Presentation. These tables and graphs illustrate the foreign assistance budget request for FY 1996 and provide a detailed tabular breakout of the foreign assistance budget for FY 1994 (actual), FY 1995 (estimate), and FY 1996 (request) for the entire International Affairs (Function 150) account.

## STATEMENT OF THE ADMINISTRATOR

**A New USAID.**

I am pleased to submit this FY 1996 Congressional Presentation on behalf of a "reinvented" USAID. The Clinton Administration is making great strides to create a government that works better and costs less. USAID is a leader in this effort. We have focused our mission, eliminated 21 country programs, and pledged to close 6 more. We have eliminated 90 headquarters organizational units and reduced our staff by 10%. In FY 1996, we will introduce "reengineered" program management systems to increase efficiency in operations and to empower our field managers to deliver better results.

Why do these reforms matter? Because America's stake in a free and prosperous world community has never been greater. By the year 2000, four out of five people in the world will live in developing countries. Increasingly, our interests and our markets will be shaped by events in those countries.

America's security, prosperity and liberty cannot be preserved in isolation from the rest of the world community. The dramatic growth of global interdependence is accelerating, with the globalization of national economies, the spread of disease, common environmental threats, the internationalization of technology, and the cross-border flows of refugees.

We cannot simply wall out the chaos beyond our borders or ignore trends which will inevitably influence our security, our standard of living and our quality of life. We will pay a heavy price tomorrow if we turn our backs on these vulnerabilities today.

America cannot be called upon to singlehandedly finance global stability or economic revitalization. But we can, and we must, continue to provide the leadership necessary to promote our interests and defend our values. Such leadership requires a continuing commitment to the development of a prosperous and free community of nations.

**Why Foreign Aid?**

Foreign aid is not just something we do for others, but something we do to preserve and protect American interests and values. Our children's future will be brighter and more humane in a world in which democratic values and sustainable economic opportunities are realized.

Sustainable development will create growing markets for American exports and diminish the causes of conflict and war. USAID supports our diplomatic efforts around the world, but goes beyond the representations to sovereign governments to address the conditions that put our interests at risk.

U.S. assistance cannot by itself assure the development of free democracies around the world in the next century, but it is an effective tool to create an environment for change. Working with American skills, talent and vision, USAID seeks to overcome disease, poverty, environmental degradation and ignorance to promote a more prosperous and peaceful world.

Building markets. The economic livelihood of Americans is increasingly dependent on global trade and international markets. And developing countries now constitute the fastest growing markets for U.S. exports. Between 1990 and 1993, exports to developing and transition nations grew by \$46 billion, supporting more than 900,000 new jobs in the United States.

USAID's development programs are helping to create tomorrow's markets today. By helping poor countries with institution building, training and technical assistance in all facets of their economic, political, social and environmental development, we are making sound investments which will pay handsome dividends in the next century.

Enhancing security. Our dividends are not just measured in expanded trade opportunities. Development assistance helps build stable, democratic partners. If we fail to treat the conditions that cause instability -- poor governance, chronic food shortages, environmental degradation, disease, illiteracy -- we will see ever increasing numbers of failed states and chaotic societies. Already, we are witnessing a staggering increase in humanitarian relief needs around the world -- needs that are increasingly caused by civil and political strife. Unless we work at preventing crises through development efforts, we will end up with the stark choice of either ignoring massive and chronic human suffering or paying a large and unnecessary price to provide stop-gap relief.

Solving Global Problems. The economic security and health of the American people are increasingly threatened by environmental degradation, population growth, and diseases that know no boundaries. The planet's biodiversity offers tremendous potential for developing new medicines and new crop varieties. The vast majority of this biodiversity is located in developing countries. Protecting this biodiversity means that we are preserving these opportunities for all future generations. The developing world is adding significantly to global climate change because of increased greenhouse gas emissions associated with energy inefficient industrialization, economic and agricultural activities (i.e., slash and burn agricultural practices), and deforestation. Global population growth exacerbates all of these threats and contributes to rising numbers of international refugees and migrants. HIV/AIDS and other deadly diseases cannot be stopped at home if we ignore their spread in other countries. USAID is supporting proven, cost-effective measures to address these global threats in key countries.

The cost of not acting -- of having to deal with the global impact and the cost of failed states and imploding societies -- will be far greater than the cost of effective action. Investment in development is an investment in prevention.

#### Does Aid Make a Difference?

Can development assistance make a difference? Are we achieving significant results? Are the resources spent on foreign assistance serving U.S. interests?

The facts show that developing nations have experienced enormous growth and development over the last 50 years:

- Per capita income in developing countries has doubled. They are now the fastest growing markets for American exports (up 49.8% between 1990 and 1993 alone).
- Infant and child death rates in the developing world have been reduced by 50% (10% in just the last eight years).
- Life expectancy in the developing world has risen 33%.
- The percentage of rural families in developing nations with access to safe drinking water has risen from less than 10% to almost 60%.

#### Has USAID made a difference?

- USAID assistance has spurred economic growth in many of today's big emerging export markets, including Egypt, Indonesia, and Thailand.
- 43 of today's top 50 importers of U.S. agricultural products were once U.S. foreign aid recipients.
- In the 28 countries with significant USAID family planning programs, the average number of children per family has dropped from 6.1 in the 1960s to 4.2 today.

-- More than one billion people in the developing world have food to eat thanks to agricultural research and development efforts led by USAID. Beyond the obvious humanitarian and economic impacts, the environmental benefits are enormous; in India alone, an additional one hundred million of acres of forested land would need to be cultivated if these productivity gains had not been made.

-- More than three million lives (mostly children) are saved every year through USAID immunization efforts.

-- With the help of USAID, 21,000 farm families in Honduras have been trained in improved land cultivation practices which have reduced soil erosion by 70,000 tons.

-- The United Nations Drinking Water Supply and Sanitation Decade, in which USAID played a major role, resulted in 1.3 billion people receiving safe drinking water sources, and 750 million people receiving sanitation for the first time.

Today, in the aftermath of the Cold War, USAID's successful programs in economic growth, democracy promotion, population and health, and environmental protection respond more than ever to key American interests abroad: building markets, enhancing security, and addressing global problems.

### Can We Afford Foreign Aid?

After World War II, the United States launched a remarkable bipartisan effort to rebuild war-torn Europe. Between 1946 and 1952, foreign aid consumed over 1.6% of our gross national product and over 10% of federal outlays -- a staggering order of magnitude much greater than today's effort. U.S. leadership and foreign aid secured real benefits of peace and prosperity for generations of Americans.

Today, America still provides leadership on economic and social development around the world, but with a vastly reduced share of our national income, both in absolute terms and compared to other donors. Other nations have increasingly shouldered their fair share of the international development burden. Other donor countries today devote on average 0.38% of gross domestic product (GDP) to foreign aid, while the United States devotes 0.15% of GDP. The average American family today contributes less to official development assistance than families in Japan, Germany, Britain, Austria, Sweden, Norway, Denmark, Spain, Belgium, Italy, Iceland, Ireland, New Zealand, Portugal, Switzerland, Netherlands, Finland, Canada, Australia and Luxembourg.

### The USAID Approach.

Broad-based economic growth is the key to development, but it cannot be sustained without parallel progress in democratic forms of government, environmental stewardship and manageable population growth rates. For this reason, USAID has concentrated its efforts on these five interrelated issues:

-- Economic growth. Broadly based economic growth is the linchpin of sustainable development. Strengthening markets, expanding individual access and opportunity and investing in peoples' education and health are all key elements in any strategy for sustainable economic growth.

-- Population. No country can succeed in making economic and social gains if population growth outstrips development gains. Even the most optimistic estimates suggest that the world population will double in the next century, with most of the growth occurring in developing countries. This will place unforeseen but profound stress on the environment, on the economies and the societies of all countries -- developed and developing.

-- Democracy. History has demonstrated that democracies are more peaceful, more prosperous, and less likely to suffer famines and other humanitarian crises than other forms of government. Open and participatory governments are inherently more accountable to the people.

-- Environment. Economic growth cannot be sustained if the natural resources on which that growth depends are irresponsibly depleted. Environmental challenges -- many of which directly affect U.S. interests -- must be pursued in tandem with economic and social development.

-- Humanitarian Assistance: A disaster can eradicate years of development progress in minutes. Civil conflicts can destroy social, political and economic institutions thereby setting the development process back immeasurably. Humanitarian assistance, therefore, is a critical component of our overall strategy to achieve sustainable development. Similarly, appropriate emergency relief measures, coupled where possible with development assistance programs, can help not only to save lives and alleviate suffering, but also to hasten the process of rehabilitation and reconstruction in affected countries.

Development assistance cannot be a substitute for a country's own efforts to improve the lives of its people. Aid can only be effective when we work in partnership. Aid dollars are likely to be wasted by governments which are not transparent, which refuse to decentralize and deregulate their economy, or which practice protectionism or state control over the economy. As part of our new strategic approach to management, USAID will no longer work with governments who are not prepared to be full and effective development partners.

#### A More Effective USAID.

USAID has undertaken the most extensive substantive and structural changes in its history. USAID is one of only two agencies to make the entire agency a laboratory for the Vice President's "Reinventing Government" effort. The experiment is working. We are closing USAID bilateral missions and programs. We have streamlined the organization and reduced staff. We are reengineering our programming process to manage for results.

Close-Outs. Recognizing that development assistance is not intended to be permanent -- nor to be made available to those not prepared to work with us toward common goals -- USAID is in the process of closing bilateral programs in 21 countries. All of these 21 will be closed by the end of FY1996. The closure of an additional six country programs was recently announced. This is the first time a country has "graduated" since the Republic of Korea in the 1970s. However, some programs were closed because USAID did not have a partner we could work with to achieve results. This is the first time in the history of USAID these types of decisions have been made.

Reorganization. We have completed this year a comprehensive reorganization and rightsizing of USAID's headquarters' operations and are beginning that process in overseas missions. The Washington reorganization resulted in the elimination of over 90 organizational units and established new interdependent organizational structures. Wherever possible, we have incorporated earlier reform and management recommendations, including almost all those included in the Report of the Presidential Commission on A.I.D. Management (the "Ferris Report") and 28 of the 30 recommendations set out in the 1992-1993 report of the joint Office of Management and Budget-USAID SWAT team.

Information Technology. In this fiscal year, we intend to begin operation of our new integrated, corporate information systems. This redesign of our accounting, procurement and budgeting systems will be fully operational in FY 1996 with a redesigned program operations system to follow closely thereafter. These reforms will enable USAID senior management to more carefully track resources and expenditures as they relate to results and objectives.

#### Priorities for FY 1996.

The President has requested a budget of \$7.65 billion for programs administered by USAID in FY 1996. We must maintain the momentum for internal reform during the year, consolidating our reorganization and automation investments, closing six more overseas missions beyond the 21 announced previously, and realizing the savings in costs and time produced by reform of our program processes. At the same time, we are committed to significant new program initiatives in the Horn of Africa and in the southern African region.

We will continue with high priority program commitments to support the restoration of democracy in Haiti, the consolidation of a pluralistic society in South Africa, the Middle East peace process in Egypt, Israel and Jordan, and the transition of Eastern Europe and the former Soviet Union states to democracy and free market governments and societies.

Our longer-term investments in solving global problems and promoting the sustainable development of less developed countries are paying dividends to America. We are determined to manage these programs to produce identifiable results for the taxpayer.

## PROGRAM AND MANAGEMENT PERFORMANCE

**Introduction.**

The American people will agree that foreign assistance is an important and worthwhile use of taxpayers' dollars only if USAID demonstrates tangible results. To accomplish that goal we have spent the last two years transforming USAID into an agency that produces results the American taxpayer will support because they are in our nation's interest.

**What Does Managing for Results Mean?**

The objectives of USAID's results-oriented management system are simple:

- greater concentration of resources in fewer countries -- with fewer but more significant and achievable objectives.
- better program management -- shifting from programs and countries where our activities are not contributing to the development outcomes we want and moving more of our resources into programs that produce measurable results.
- effective oversight of field activities, which will permit better and more precise reporting to the Congress and the public on what we are accomplishing with our resources.
- getting the best from our partners. Host government agencies and nongovernmental organizations, U.S. private voluntary groups, and contractors will be freed to focus on better methods to achieve results and less on red-tape and detailed, rigid procedures.

Our reform agenda alone will not give us the impact for which we strive. We must work closely with Congress to incorporate their concerns into our strategies.

In addition, we must develop more cooperative and collaborative relationships with other bilateral and multilateral donors, and with the private voluntary and nongovernmental organizations we work with in implementing our programs.

**What is new?**

While USAID has always looked at project-based accomplishments, each project was assessed independently, primarily on its own merits. There was little assessment of experience across the Agency or cross-fertilization between programs and projects.

A results-driven framework has become the centerpiece of USAID's management. In the new USAID, we will more effectively manage pipelines, ensure our field programs contribute to agency objectives, and control resource allocation decisions.

The keystone of this framework is a continuous cycle of evaluation. Evaluations and reporting of results will now be an ongoing function throughout the life of an activity, and the conclusions of those evaluations will be better integrated into Agency policy decisions.

To better focus our resources for impact, we announced the closing of 21 missions. Some were countries we determined had "graduated" from the need for bilateral grant assistance. Others, however, were countries which were not good "development partners." These countries' poor political or economic policies prevented them from making effective use of our assistance. While assistance to these countries may have been provided for geo-political reasons during the Cold War era, we no

longer continue assistance where recipient governments are not willing to make the policy changes necessary to open up their economies and political systems to broad-based participation.

#### **What a Managing for Results System Looks Like.**

USAID has laid out its priorities in five interrelated strategies for sustainable development: protecting the environment, encouraging broad-based economic growth, stabilizing population growth and meeting human health needs, building democracy, and providing humanitarian and post-crisis transition assistance.

These strategies and our detailed implementation guidelines are the policy which directs each operating unit's selection of its strategic objectives and development of plans to achieve them. Approved strategic plans become a contract between bureau management and mission management.

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A strategic objective and its specific results target are expressed so we and our development partners will know when the result has been achieved. For example, one of the objectives in Ghana is to improve the quality of primary education, with the results target being a specific measurable increase in the percentage of school graduates who successfully pass the English and math standard achievement test.

Successful managers don't wait until the end of a strategic plan period to determine whether the intended results are achieved. They also set interim targets and check periodically on the progress being made along the way. To do so, USAID sets intermediate program outcomes -- measurable outcomes of one or more activities which, in turn, contribute to the overall strategic objective. Typically, a program outcome represents what USAID-supported activities expect to produce in 2 to 5 years as a necessary step to ensure the achievement of the longer-term objective.

Budget allocation decisions at all levels are made according to program performance. Performance reviews are held annually. Program performance will be monitored continuously at the mission level, and budget adjustments will be made based on a review of progress and results. Continuous reviews will also be done in Washington based on mission performance information.

Our reviews will include analyses of each country's performance on issues such as human rights. Country performance will influence not only the budget allocation process, but also will inform planning to establish new programs in individual countries or to close current programs. These country-by-country benchmarks will serve as the basis for our reporting on results to Congress.

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A strategic objective is a significant development result which can be achieved in five to eight years. Annual milestones will be established to ensure interim benchmarks are being achieved.

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#### **Management Reforms.**

We have undertaken a series of far-reaching management reforms to enhance our ability to manage for results. These reforms began last year and involve both Washington operations and those of our field missions. These reforms have enthusiastic support at all levels and throughout both USAID/Washington and its field missions.

The first management reform was to streamline USAID's organizational structure and better align it with the Agency's sustainable development mission. This reorganization was premised on the need

for all of us, in each bureau, to work together as one agency. We consolidated or eliminated four bureaus and 90 organizational units in Washington to facilitate this new cohesiveness.

One of the main features of the reorganization was the creation of the Bureau for Global Programs, Field Support and Research and its Centers which house most of the Agency's technical personnel. The Bureau's role is to upgrade our scientific and technical leadership, provide field support and technical input into our bilateral programs, direct global programs necessary for the accomplishment of Agency goals, and provide professional management to the Agency's technical cadre. The results of this reform effort are already being felt as we improve our development programs.

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To help track progress and ascertain ultimate results of strategic objectives, USAID uses two kinds of performance measures, or indicators. One set of indicators is used to monitor the results of the strategic objective itself. In the case of the Ghana primary education objective, for example, the portion of primary school graduates who pass the standard achievement test will be periodically reviewed during coming years. A second set of indicators is used to monitor the more immediate program outcomes and compare them to expected outcomes; this enables USAID and aid recipients to make adjustments in response to actual performance, e.g., by shifting resources to more effective activities or strengthening their design. In the Ghana case, USAID monitors the availability of key school materials, and the proportion of primary school teachers who have received specialized in-service training to improve teaching skills in four basic subjects, both of which are key components of the strategy.

In modifying internal planning and implementation procedures to focus on results management, we give field staff the authority and the responsibility to produce results and to encourage greater participation by our stakeholders and partners. USAID missions and offices are forming teams that include technical expertise (no matter where it resides), local development partners, and Washington and mission management to design and implement results packages within select strategic objectives.

The methods chosen by the operating unit for achieving each strategic objective will be flexible. We will become a "learning institution" where we learn from our successes and our mistakes as we go along. Mid-course corrections in activities and methods will be encouraged, when needed, to ensure achievement of objectives.

Another major effort, begun last year and continuing through 1996, is the development and implementation of new automated systems and processes, the cornerstone of

which is the development of one corporate information system. The goal is to have one integrated system, accessible both in Washington and in the field missions, that will encompass all aspects of our operations, that will have one point of entry for all data, and that will be continuously updated to ensure accuracy and accountability regarding resources and the results those resources are achieving.

#### Program and Policy Directions.

Managing for results requires not only process improvements but also policy focus. While streamlining and improving USAID's management structure and program to focus on results, we have also reduced the number of objectives we try to manage, with a focus on sustainable development. Sustainable development means creating situations which allow countries to sustain themselves. USAID's programs address the four principal and interrelated threats to sustainable development: inefficient markets and lack of access to economic opportunity, rapid population growth and poor health, environmental degradation, and lack of democratic institutions and processes.

The major responsibility for achieving sustainable development lies with the developing country itself. To be successful, this effort requires partnerships among USAID, host government agencies and

nongovernmental organizations, other donors, and ordinary people in the countries where we work. While sustainable development cannot be achieved overnight, assistance is not an entitlement to be continued regardless of results.

Problems constraining a country's achievement of sustainable development are interrelated and solutions must also be interrelated. Progress in one or two areas cannot be continued without progress in other areas. While USAID articulates five strategies for achieving sustainable development, they must be implemented through an integrated approach. Objectives and activities will be designed, to the extent possible, to maximize their complementary impact on other programs.

A summary of what USAID is doing and the results we have achieved follows. It is organized around the sustainable development strategies. The funding used to implement these strategies and to achieve results encompasses more than just the Development Assistance Fund and the Development Fund for Africa. The Economic Support Fund is managed by USAID and is used as much as possible to further sustainable development goals. P.L. 480 Food for Peace resources are also integrated into country programs. P.L. 480 Title III, in particular, is used to foster food security. The International Disaster Assistance account and P.L. 480 Title II are the primary funding mechanisms for implementing humanitarian assistance and post-crisis transitions. These funds also are used to further our overall development goals.

**What will a results management system produce?**

USAID's goal is to help countries establish self-sustaining societies in which their people are free, economically productive and active participants.

In 1993, USAID announced the closure of 21 of its overseas missions, based primarily on two criteria. Either the country had "graduated" and was no longer in need of U.S. assistance or the country's government was a bad development partner, i.e., not interested in or capable of pursuing democratic and free market reforms. These closures represented the first time in USAID's history that assistance was withdrawn because development was impossible based on USAID's own criteria of producing results. It was also the first time since Korea in the late 1970s that countries were graduated from U.S. assistance based on their performance achieved with USAID assistance.

The following section covers five countries identified for graduation by the end of FY 1996. Selected examples of specific program results in each of these countries which led to their reaching sustainable development levels follow. All of these results are not directly tied to USAID's specific programs. However, USAID contributed to all of these results and the decisions here present a standard or index for future graduations.

**Costa Rica.** The USAID assistance program in Costa Rica spans half a century, ending in 1996. Costa Rica is poised to enter the 21st century as a strong and productive country with vibrant democratic institutions, increasingly free market policies, a rich human resource base capable of sustaining economic growth, and a heritage of ecological diversity and natural resource conservation.

• **Economic Growth:**

- After suffering a brief but sharp economic decline between 1980 and 1982, the economy has grown at an average annual rate of 4.5% and the unemployment rate has fallen from 9% to 4%.
- The incidence of poverty among households fell from 22% in 1988 to 17% in 1993.
- Total merchandise exports grew by 8.6% a year between 1983 and 1993 while nontraditional exports, the focus of most USAID efforts, grew by 12.7%.

-- USAID has provided private sector training for over 28,000 persons. Sample results include 45 participants from 39 companies where exports increased by 117% in the period following training.

- **Environment:**

-- USAID projects have reduced deforestation by 33% in the central volcanic range, an environmentally critical area, and helped develop better forest management policies.

- **Health and Population:**

-- USAID's assistance in reproductive health has contributed to a significant drop in the population growth rate from 2.8% in 1980 to 2.1% in 1993.

**Botswana.** Botswana is a functioning democracy with a freely elected government, a free and vocal press, an independent judiciary, and economic and social indicators among the best in Africa. U.S. assistance over more than 20 years has contributed to Botswana's status as a graduating country.

- **Health and Population:**

-- Botswana is among the top three sub-Saharan countries in terms of contraceptive usage and an associated decline in birth rates -- a 28% drop between 1981 and 1988.

-- U.S. assistance has led the Government of Botswana to develop substantial fiscal and technical responsibility for primary health care. USAID's emphasis on human resources development and programmatic improvements have resulted in:

- established nursing education programs that have expanded throughout not only Botswana but southern Africa;

- the 'delivery of integrated maternal and child health and family planning services which better meet clients' needs; and

- full financial and logistical responsibility by the government for procurement of family planning commodities and vaccines.

- **Education:**

-- Over the last 16 years, U.S. bilateral assistance has had a tremendous impact in the establishment of an educational system emphasizing access and quality which has become an educational showcase on the African continent.

-- Adult literacy is high at over 80%. Universal access to schools has been established through grade ten and both primary and junior secondary school attendance comprise more than 90% of the respective school-age populations.

-- Over 80% of the educators have been trained at various Botswana teacher training colleges constructed and equipped with USAID funds. Furthermore, 11 in-service education centers, each affiliated with a teacher college, have been established throughout the country to provide continuing assistance to teachers, especially in the rural areas. The regional in-service, education center concept has served as a model for many countries in Africa.

- **Natural Resources Management:**

- Botswana's wildlife policies represent a bold approach to conservation by placing direct control over resources in the hands of communities, thus creating economic incentives for sustainable use rather than perpetuating exploitative, short-term gain practices.

- Through USAID assistance, Botswana is demonstrating that local communities can manage resources of global importance, that benefits from conservation can accrue to rural populations most directly affected by these resources, and that a community-based approach empowers rural populations and encourages private enterprise.

- The resulting economic gains are producing a change in attitude and practice among rural populations and linking conservation with development. In 1993, through contracting with a safari company to hunt a small percentage of the hunting quota for the area, villages in one area earned \$12,000. Bids were again let the following year, and the village earned \$25,000. Most of the revenue is used for income-generating efforts within the community. The realization that increased animal populations bring future revenue has led to local decisions not to hunt the full quota.

Tunisia. In the four decades since independence, Tunisia's economy has blossomed from its tenuous beginnings into a regional showcase. Through its assistance in privatization and modernization of Tunisia's economy, in education, in health and in family planning, USAID can rightly claim that Tunisia's long-term success has been, in no small part, a result of its assistance. For example, Tunisia's gross domestic product (GDP) has grown from \$430 in 1961 to \$1,500 in 1991; its literacy rate has risen from 15% to 65% of the population; its life expectancy has risen from 47 to 68 years; and its population growth rate has been reduced from 3% to 2.2%.

- **Agriculture:**

- USAID projects have established and improved over 50 forestry nursery centers throughout Tunisia that have produced more than 40 million seedlings, beginning the process of "greening" Tunisia.

- USAID funded the research in animal feed and genetics which led to the purchase of U.S. heifer dairy and beef cattle and an increase in dairy and meat production.

- **Housing and Urban Development:**

- USAID provided sewer, water, streets and other improvements through the Mellassine upgrading project to 5,000 low-income families. The success of this project led to the Government of Tunisia adopting a policy for upgrading and rehabilitating impoverished communities.

- USAID funded the construction of 2,200 houses for low-income families and established a permanent capability whereby private developers now provide shelter for several thousand families.

Thailand. USAID's assistance to Thailand over the past 40 years has contributed significantly to that country's remarkable economic growth and the improvement in the quality of life of its citizens.

- Economic Growth:

- In the 1950s, Thailand's per capita income was well under \$100; today it is estimated at around \$1,800. In addition, USAID's specific focus on poverty alleviation in rural Thailand was a critical input in Thailand's successful suppression of its communist insurgency.

- Infrastructure projects during this period were critical for expanding government services outside Bangkok and provided the foundation for further development.

- U.S. assistance in agriculture, including the introduction of new varieties of rice, was critical to Thailand's transformation from a rice importer to successful exporter.

- Health and Population:

- Thailand's national family planning program stands out as a strong example of effective financial and technical assistance from USAID. In the past three decades, Thailand's contraceptive prevalence rose from 8% to 75% and overall fertility has fallen from 6.2 to a replacement level of 2.2.

- USAID began sending participants to the United States in 1952, and in February 1986, 40% of the 411 senior administrative positions in the Thai government were held by former USAID participants.

- Democracy and Governance:

- Finally, one of the best demonstrations of the impact of the U.S. aid program in Thailand has been the transformation of its institutions. For example, U.S. aid helped create the premier public administration training institution in Thailand where most of its civil servants are trained.

Lesotho. The USAID program has focused on two major areas: (1) increased agriculture production, diversification and marketing through the private sector; and (2) education and human resources development.

- Economic Growth and Agriculture:

- USAID has contributed to the sustainable use of rangeland resources by helping establish community-level grazing associations in designated range management areas (RMAs).

- There are now six RMAs in existence which cover nearly 186,000 hectares. They provide livelihood for an estimated 27,800 people. Measurements of range quality in the longest established RMA show a nearly three-quarter reduction in the surface exposed to erosion by rainfall and an increase in forage quality and quantity.

- Through the small-scale intensive agricultural project, the production of fruits and vegetables for home consumption has increased and nutrition in remote mountain areas improved.

- Education:

- USAID supports the Lesotho government strategy to improve quality of the country's education system, including the provision to all school children minimum standards of equipped classrooms, trained and motivated teachers, classes no larger than 50, sufficient books and materials, and schools that are well-managed.

-- Improvements in sectoral management of resources are being pursued through extensive on-the-job training, which has enabled the Ministry of Education's finance office to introduce cost-center-based budgeting for the next fiscal year.

## MANAGING FOR RESULTS IN ACTION: EFFECTS ON PROGRAMS AND BUDGETS.

### Encouraging Broad-Based Growth.

Economic growth is the foundation of sustainable development. Further, it is critical to progress in the other strategic areas. Economic growth that reduces poverty, enhances food security, brings improvements in basic health and education, and increases economic and income opportunities for all sectors of society serves U.S. security, economic and humanitarian interests. Accelerated economic growth in the developing world is key to expanding U.S. exports.

USAID's economic growth strategy focuses on:

- strengthening markets through policy and institutional reforms that improve their efficiency and performance;
- investing in people, mainly through improvements in basic health, education and training; and
- expanding access and opportunity through microenterprise lending, agricultural technology for small-holder farmers, policy and institutional interventions, and ensuring that these efforts benefit the poor, women, and disadvantaged groups.

### Results.

One of the most important developments, which could have global applicability, is the lessons learned from the work of Hernando de Soto's Institute for Liberty and Democracy, based in Lima, Peru. With financial backing from USAID, the Institute has been on the cutting edge in promoting the legalization of the informal sector as an essential component of broad-based and equitable economic growth.

In the case of Peru, some 340,000 enterprises have been formalized in recent years, generating \$300 million in new tax revenues to the government. De Soto argues that it is no accident that Peru, today, has the highest economic growth rate of any country in the world. By removing the obstacles to formalizing property rights and the registration of business enterprises, marginally performing assets become attractive investments once the security of that asset is codified in law.

USAID also is helping to privatize public enterprises and to increase production in specific markets, especially nontraditional exports. In Honduras, USAID helped privatize 43 state-owned enterprises, earning \$160 million for the Honduran treasury and reducing external debt by \$40 million.

Successful export enhancement was demonstrated in Ecuador by a program focused on a few commodities, none of which was previously a major export. About 4,000 smallholder farmers began producing passion fruit and pigeon peas for export. In two years, the prices paid to farmers for these commodities rose 50% to 300%. Of the 25,000 jobs created in the program, 60% were filled by women, resulting in reduced migration by women to cities.

In Egypt, where USAID has a significant focus on microenterprise and small business development, the number of small businesses and microenterprises receiving credit increased from 600 in 1991 to almost 16,000 in 1993. USAID microenterprise programs increasingly target women, who tend to have higher repayment rates than men and are more likely to spend enterprise income to improve family welfare.

In Bangladesh, USAID has generated economic opportunities for rural women through more than 27,000 loans. These loans have helped build many women-owned microenterprises, and incomes of borrowers now exceed incomes from agricultural labor by up to 300%, enabling many women and their families to move beyond abject poverty.

Poland was the first country in Eastern Europe to turn the corner, achieving a 3.8% growth rate in gross domestic product (GDP) in 1993 after several years of steep decline. Also in 1993, Albania achieved 11% GDP growth and Slovenia achieved 1% growth. In the Czech Republic, 65% of GDP now is produced in the private sector, while in Hungary, Poland, Russia, Slovakia, the Baltic countries and Albania 50% to 55% of GDP is produced in the private sector.

As part of its effort to help the Czech government convert from a command economy to a free market system, USAID has helped the Czech government close more than 120 deals with foreign investors, privatizing state-owned enterprises at prices more than three times those originally sought. The result has been in excess of \$2 billion paid into the National Property Fund and invested in the companies themselves -- a significant percentage of total foreign capital invested in the country during the past three years.

A component of USAID's community and enterprise development project in Senegal has successfully created a model for institutionalizing and replicating lending programs to urban-based, small-scale enterprises. As of August 1993, nearly 3,800 small-scale enterprises had received loans from the Private Enterprise Credit Agency, which had become Senegal's primary lender to small businesses. Close to 2,500 new jobs had been created and over 5,400 loans made. The Credit Agency has demonstrated the profit potential of lending to small enterprises. As of December 1993, it has shown a profit, net of donor assistance, for the last three consecutive years, and write-offs as a percentage of outstanding loan balances are down to 1%.

Most significant, sustainability of small-scale lending after project completion in December 1993 is being realized. In May 1993, institutionalization of the Private Enterprise Credit Agency as a profitable, private financial institution was officially and legally completed.

Indonesia's commercial code dates back to an 1860s Dutch code, with much of the law still written in Dutch. USAID is helping the Indonesian government to rewrite that code to reduce the barriers to private investment, increase transparency and decrease the risks and costs associated with business transactions. While the project was designed to help strengthen Indonesia's economic development, there is a clear link between a revised commercial code written in the American rather than the Dutch or Japanese image and American business's ability to compete in that market place. U.S. exports to Indonesia are expected to grow from \$3.3 billion in 1991 to over \$6 billion in the year 2000.

In Guatemala, USAID initiatives in trade policy reform and export diversification in nontraditional agricultural products have led to outstanding growth in exports -- averaging 64% annually since 1986 -- such that exports of these products reached \$666 million in 1994. It is estimated that these exports support more than 293,000 jobs, including more than 130,000 new jobs created as a result of this effort, primarily among the poorest 25% of the population. An increase in steady jobs has led to increased buying power. With the overwhelming preference being U.S. goods, U.S. exports to Guatemala have increased by an average of 19% annually since 1989, to reach more than \$1.3 billion in 1993.

USAID's five-year program in Uganda has helped diversify the country's economy, liberalize foreign exchange and agricultural marketing systems, and provide technical assistance to agribusiness firms and associations. As a result, the real value of nontraditional agricultural exports increased from \$8.1 million in 1987 to \$61.4 million in 1992 and farmer incomes have grown accordingly. Growers of silk, one of two new crops with tremendous potential, receive an annual revenue of \$456 per year, compared to Uganda's annual per capita income of \$165. Vanilla farming, also started with USAID

assistance, has increased steadily; participating producers -- 75% of whom are women -- saw their incomes rise 25% over the last several years. USAID efforts also opened the way for a private Ugandan firm to secure a contract with McCormick, the U.S. spice company. The firm paid farmers about six times the price they had received for vanilla in 1989 and tripled the number of producers with whom they work.

USAID has been the lead donor in rehabilitating Uganda's agriculture research network. Results linked to USAID's Manpower for Agricultural Development project have been impressive. Potato yields have increased 30% during the past three years; land planted in potatoes has increased from 4,000 hectares to 52,000 hectares. Potato farmer income has improved 20% over the same period. Other crops such as corn, cassava, sorghum and sunflowers show similar improvement.

#### Protecting the Environment.

Environmental problems increasingly threaten the economic and political interests of the United States and the world at large. Degradation of rural and urban environments has led to increases in human illness, loss of economic productivity, and a reduced standard of living for countless people in the developing world. Environmental degradation in these countries also affects Americans directly through the loss of economically important biological diversity and rising levels of greenhouse gasses. We cannot escape the effects of global climate change, biodiversity loss, and resource depletion.

To address these problems, USAID pursues two strategic goals:

- Reducing long-term threats to the global environment, particularly loss of biodiversity and climate change.
- Promoting sustainable economic growth locally, nationally, and regionally by addressing environmental, economic, political, and developmental practices that impede development and are unsustainable.

Globally, USAID is focused on the growing sources and diminishing sinks of greenhouse gas emissions and on impoverishment of the planet's biological diversity at the genetic, species, and ecosystem levels. Programs focus on key countries where progress can have the greatest impact worldwide. Locally, USAID focuses on the impairment of human health due to air, water and soil contamination from industrial, agricultural, and household activity.

#### Results.

USAID programs emphasize the long-term sustainability of protected areas. In 1994, USAID was a partner in more than 90 biodiversity activities in 40 countries. Through the Parks in Peril program, USAID support has led to the creation of 26 protected areas covering 5.6 million hectares in 12 countries. Noel Kempff Mercado park in Bolivia is one example. Lumber extraction has declined, takings of river turtles and their eggs have decreased, confiscation of illegal products is down 66%, and responsible "ecotourism" visits increased by 400% from 1992 to 1994. In the Philippines, debt-for-nature swaps have endowed a \$25 million environmental fund. Interest earned has financed over 100 projects by grass-roots environmental NGOs.

Conserving biodiversity also generates substantial economic benefits for local communities. In southern Africa, for example, USAID has supported a pioneering approach to wildlife conservation that empowers communities to manage -- and profit from -- wildlife tourism. In Zimbabwe, where the program began, local communities have earned over \$1 million per year from wildlife tourism, contributing to local economic development and generating local commitment to conservation.

*Natural Resource Management.* Growing concern over negative environmental impacts of agricultural practices led USAID to develop and promote new technologies to maintain or increase long-term productivity, and to involve farmers more directly and actively in the process. For example, in Honduras we are helping to transform destructive hillside cultivation practices and provide farm families with land-use technologies that decrease erosion and increase crop yields. The number of poor hillside-farming households adopting environmentally sound cultivation practices doubled to over 21,000 between 1989 and 1993, resulting in a reduction of 70,000 tons of soil lost to erosion. At the same time, half of the participating families increased their yields at least 30%.

USAID activities have decreased deforestation and promoted reforestation in several countries, planting millions of trees in private farmlands in Pakistan and fostering policy reforms in the management of public lands in the Philippines and Nepal. Farmers practicing integrated pest management methods, promoted by USAID in Indonesia, have achieved a one-third increase of returns compared to other farmers under similar conditions while reducing the cost and toxic contamination associated with chemical pesticide use. Pilot activities in coastal resources management have had major impacts through policy changes and participatory approaches in several countries. In Sri Lanka, USAID helped create a new planning system to control coastal erosion through set-back regulations and environmental impact assessments for any activity that may alter the coastal area.

*Urban and Industrial Pollution.* The benefits of urban and industrial development are increasingly offset by the high social costs of environmental problems. We are working to transfer U.S. domestic experience overseas, ranging from legal and policy changes at the national level to pollution audits for individual plants affecting particular neighborhoods.

USAID is supporting wastewater treatment projects in Egypt, Thailand, Indonesia, Jordan, India, Jamaica, and Honduras. In Egypt, the percentage of treated wastewater increased from 40% to 75%, reducing by 81,000 tons per year the pollutants entering the Nile, the sole source of water for most Egyptians. In Tunisia, a USAID pollution audit at a lead battery plant led the plant to invest \$8,000 in new equipment and to change its operating procedures. Operating costs dropped by \$770,000 per year and lead dust and lead-contaminated water emissions were cut by 60%. As news of this savings spread, other battery plants implemented the same changes without USAID assistance.

#### **Building Democracy.**

The conviction that democratic forms of governance offer citizens advantages and opportunities that no other form of government can provide has in recent years spread rapidly around the world. An impressive number of countries have made the transition to democracy in the past ten years, and more are struggling to do so. This transition has occurred through elections, expansion of political and civil liberties, and strengthened institutions of civil society that advocate for and represent citizens. Despite the progress made, democratic movements have been thwarted in many places and reversals have occurred. Many of the new democracies are fragile. Weak economic performance, low literacy, reluctant militaries, corruption and other factors threaten new democratic governments.

USAID's democracy strategy has five objectives, with specific programs tailored to country circumstances and available resources.

- strengthening the rule of law and respect for human rights;
- increasing citizen participation in political processes;
- expanding institutions of civil society;
- developing more accountable governance; and

- increasing the flow and diversity of information to citizens.

#### Results.

The most recent Freedom House index, which groups countries according to a checklist of indicators for political and civil rights, classifies 60% of the world's people as living in "free" or "partly free" societies. Countries categorized as partly free are among those targeted for USAID assistance. They are still in need of some external assistance and the chance to consolidate the gains they have already made.

USAID played an important role in recent successful transitions in South Africa, Malawi, Mozambique and El Salvador. In South Africa, for example, we began to support NGOs and community groups in the mid-1980s. This led to more intensive work during recent elections on voter education, expanded political work by NGOs, training election observers, and strengthening the electoral commission. USAID's post-election program is focused on building respect for the rule of law, supporting good governance, and strengthening civic organizations as a check against future abuses of power.

In countries where the initial transition to democracy has occurred, we focus on consolidating democratic development. In Bolivia, USAID is working to improve the effectiveness and accountability of judicial systems and legislatures. In Namibia, one of Africa's newer democracies, USAID is encouraging more diverse representation in parliament and supporting civic education programs.

Success sometimes requires public and outspoken action. Corruption among top government officials in Zambia led the United States and other donors to reduce assistance until the government addressed the issue satisfactorily. Shortly afterward, the president fired the officials involved in the corruption, and in 1994 Parliament passed a code of conduct for government officials requiring financial disclosure statements. These actions addressed the problem, and the United States and other donors have restored assistance levels.

In the Ukraine, where USAID has provided support for the electoral commission and assisted political party development through regional seminars, the country held a free and fair election which resulted in an opposition candidate defeating the incumbent president and assuming office without unrest or serious election disputes.

In Bolivia, activities led to more viable institutions and broader political participation. As a result, USAID and the Government of Bolivia are collaborating in an effort to promote municipal government effectiveness and grassroots organizations by establishing new municipal boundaries which will encompass the entire country, allocating budgets on a per capita basis, thereby assuring a more equitable distribution of resources, and granting legal status and an enhanced role in local decision-making to grassroots organizations. USAID, with its Administration of Justice project, has the largest program and longest history of support for judicial reform in Bolivia and is collaborating with other donors, such as the World Bank and the Inter-American Development Bank, in this key aspect of strengthening democratic institutions. Evidence of successful reform was demonstrated by the prosecution and conviction of a former chief-of-state and several government officials for human rights abuses and narcotrafficking, the investigation of allegations of narcotrafficking charges against another administration, and the impeachment of two members of the Supreme Court. For the first time Bolivia has established an independent Ministry of Justice and budget resources for public defense. USAID is furthering human rights in Bolivia through its support to the Office of the Public Defenders, as well as its support of pilot activities through the Inter-American Bar Foundation to establish neighborhood conciliation centers.

Significant advances also were made in recent years with the Bolivian legislature, through USAID support to the State University of New York (SUNY). In addition to directly assisting the Bolivian Vice President in planning for carrying out his responsibilities as President of Congress, bicameral, non-

partisan, legislative support services were established. These support services have included a budget office, which provides accurate on-line fiscal information and expert financial analysis to the upper and lower House finance committees; a bill drafting service; and an information and research center to enable individual members as well as committees to improve the overall quality of draft legislation before it is presented to the floor.

In preparation for South Africa's history-making elections in April 1994, USAID provided support for the country's electoral process. USAID supported 90 separate voter education and documentation activities. The quality of the USAID-funded voter education programs through NGOs such as the Martin Luther King Center was recognized, accredited and utilized by the Independent Electoral Commission (IEC). As the election drew closer, USAID focused efforts on voters most likely to be victimized by intimidation, coercion and fraud -- illiterates, farm workers, women, disaffected youth, and residents in especially conservative or violence-prone areas. It is estimated that USAID-funded NGOs reached 3.6 million eligible voters by the time of the election.

Through a grant to a consortium of U.S. PVOs, USAID also assisted political parties which had not participated in previous elections in South Africa. The assistance developed their capacity to identify and address constituent needs, build effective campaign organizations, and campaign effectively. USAID supported the development of training materials for election monitors and the formulation of standards of conduct and criteria for free and fair election procedures. Local NGOs were strengthened in developing systems for gathering independent information on the conduct of the elections, and in organizing local election monitors and in coordinating local monitors with international observers. A USAID-financed grant to a U.S. PVO provided basic orientation and coordination of the several hundred election observers fielded by around 40 U.S. organizations.

USAID provided a wide range of support to the Electoral Commission to strengthen its election and polling processes. When the Electoral Commission decision to use a two-ballot system invalidated much of the voter education material which had already been produced, USAID funded a major effort to ensure that voters understood how the new mechanism would work. Ten million new sample ballots and new pamphlets were printed explaining the two-ballot system.

But elections would not have been possible without equally profound changes in civil society. Since 1992, USAID has supported local community and nongovernmental organizations engaged in promoting a culture of tolerance, with efforts ranging from training in negotiation and conflict-resolution to helping communities cope with the losses they have suffered as a result of violence. USAID also assisted the National Peace Accord Structures, including the Goldstone Commission. USAID resources just before the elections were used to address problems of violence in hostels, township communities, and sub-regions throughout South Africa.

#### Stabilizing World Population Growth and Protecting Human Health.

Rapid population growth and poor health are inextricably linked to the other factors which keep nations poor. They are also closely associated with low status and limited rights for women. USAID's approach helps women to achieve their family-size goals through family planning and preventing the death of their children, and seeks to protect them from other reproductive health risks such as maternal mortality and sexually transmitted diseases. It supports women in making informed decisions through education.

USAID's strategy to stabilize population growth and protect health focuses on five priorities:

- preventing unintended pregnancies as well as abortions by increasing access to family planning information and services;

- reducing deaths from preventable diseases of children under five through improved child survival services and practices;
- decreasing women's deaths associated with childbirth through better access to improved obstetrical services and family planning;
- preventing illness and death from sexually transmitted diseases, especially HIV/AIDS, through increased access to information and services; and
- increasing the basic education of girls and women.

#### Results.

USAID's technical leadership and support for country programs have contributed directly to dramatic results in lowered mortality and fertility and significant movement toward the goal of stabilizing the world's population. Annual world population growth dropped from 2% in the 1960s to 1.57% in the 1990s. This is the lowest growth rate since the 1940s and has occurred while fewer children are dying and people in general are living longer. Improvements in infant and child survival and achievement of desired smaller family size have occurred particularly rapidly in countries where USAID has concentrated its assistance.

*Family Planning.* In the 28 countries which have received the largest amount of USAID population assistance, average family size has decreased from 6.1 children in the 1960s to 4.2 in 1992. In five USAID-assisted countries, the percentage of couples using modern contraceptive methods has increased by an average of more than 2% a year since the late 1980s. In almost all other USAID-assisted countries for which we have recent data, average annual increases have exceeded 1%. These results are especially impressive since, because of population momentum, the number of women of reproductive age is still increasing. To simply maintain the same level of coverage, the number of people served must increase.

Ghana is a dramatic example of how USAID assistance contributes to national level changes. Without USAID assistance in the 1980s, there were few sources of family planning commodities or services. Family planning use is believed to have dropped to almost zero in the mid 1980s. Since USAID resumed its population assistance to Ghana in 1988, modern-method contraceptive use has doubled, and Ghana's contraceptive use rate, at 13%, is the highest in West Africa.

*Child Survival.* USAID is working with our partners to reach the international goal of reducing child mortality rates by one-third in this decade. Although the HIV/AIDS pandemic may be eroding previous gains in child survival in some African countries, overall there have been important improvements in child health in the past decade. Between 1985 and 1992, infant mortality declined by 10% in USAID-assisted countries. In some countries the decline was even greater, ranging from 17% in Bolivia to almost 50% in Honduras. During the same period, mortality rates for children under five dropped by 10% to 40%. In Egypt, child deaths before the age of five dropped from 130 per thousand in 1985 to 85 in 1990.

USAID also is contributing to increased immunization coverage. From 1980 to 1990, the percentage of children immunized against major preventable diseases increased from 20% to 80%. Worldwide, this saves the lives of an estimated 2.8 million children each year. In 1994, polio was eradicated in the Western Hemisphere by a multinational effort in which USAID was the lead donor.

In the 1970s, USAID was the chief supporter of research in Bangladesh which led to the development of oral rehydration therapy (ORT) to prevent deaths from diarrhea. With USAID assistance, use of ORT during diarrheal episodes among children continued to increase, from 12% in 1984 to 46% in 1992. This important treatment saves children's lives in the United States as well as in developing countries,

preventing an estimated one million deaths worldwide each year. It is only one example of positive impacts from USAID research investments.

*Maternal Health.* Of all health statistics, maternal mortality is the one that shows the greatest disparity between the developed and developing world. Asian, African and Haitian women are up to 200 times more likely to die as a result of pregnancy than women from industrialized countries.

USAID is working toward the worldwide goal of reducing maternal mortality by half by the year 2000. USAID-assisted demonstration projects in countries like Bolivia and Indonesia are showing that better care during pregnancy and delivery can save women's and babies' lives. In Bolivia, for example, a pilot project in 50 rural communities which focused on improved self-diagnosis of maternal and neonatal health problems, and referral and improved care for those with complications, reduced the deaths of babies under one month of age from 103 per thousand live births to 38.

*Preventing Sexually Transmitted Disease, Especially HIV/AIDS.* USAID is the leading bilateral donor in the provision of technical and other support for programs to prevent and treat sexually transmitted diseases. In Africa, where USAID has provided the most support, there has been a dramatic increase in knowledge of HIV/AIDS. The majority of adults can identify at least two effective methods of lessening the risk of contracting HIV/AIDS. In Thailand, USAID helped the national program slow the spread of the virus through a massive campaign directed at behavior change.

Thailand faces a pandemic in HIV/AIDS. As many as four to six million people could be infected by the year 2000. Thailand urgently needed a quick, inexpensive HIV diagnostic kit which would improve blood screening and increase early diagnosis. Through the U.S.-Thailand Development Partnership, USAID brought together American technology and a Thai company to produce a Thai-manufactured, rapid, easy-to-read screening test for HIV costing less than \$1.00 per test. The company USAID helped set up sold over one million tests in 1993 and projects sales of 2.5 million tests by 1996.

*Basic Education for Girls and Women.* Evidence from most developing countries shows a consistent correlation between women's education, desired family size, and the survival of their children. The data suggests that women with even modest levels of education are more likely to seek out and use preventive and curative health services. In most countries, better educated women desire smaller families and are better able to achieve their family planning goals. However, despite large increases in girls' primary school enrollment over the last two decades, girls and women in many USAID-assisted countries are clearly not yet receiving fully equitable educational opportunities.

In Egypt, where USAID helped build over 2,000 rural schools, girls' enrollment in first grade increased by 29% between 1981 and 1994 and the dropout rate decreased in higher grades. With USAID assistance, the Guinean government has focused on increasing girls' access to schooling. The program shifted teachers from the secondary to the primary level. Girls' gross enrollment rate in primary schools increased from 19% in 1989 to 23% in 1991, and the percentage of girls repeating grades decreased from 28% to 23%.

#### **Providing Humanitarian Assistance and Aiding Post-Crisis Transitions.**

As superpower tensions ease in the 1990s, religious and ethnic rivalries are leading to increasing numbers of armed conflict, widespread dislocation, death and suffering on a massive scale. These conflicts destroy social, political and economic institutions and set the development process back by decades. Natural disasters, too, erase years of progress in a matter of minutes.

USAID's humanitarian programs seek to save lives and reduce suffering in the face of disasters, to return individuals to self-sufficiency following disasters, and to establish conditions for countries to move toward sustainable development and democracy in the aftermath of crisis. In these efforts, we

work as partners with U.S. and local NGOs, United Nations organizations and the recipients themselves.

USAID has four objectives for its humanitarian assistance:

- timely delivery of disaster relief and short-term rehabilitation;
- preventing disasters and reducing the vulnerability of populations at risk;
- preserving the basic institutions of civil governance during periods of crisis and transition; and
- protecting the food security and health of vulnerable groups during conflicts or periods of reform.

#### Results.

An example of how investments in early warning can save lives and be cost-effective took place in the Philippines in 1991. In April of that year, Mount Pinatubo began emitting ash and steam, a normal precursor to a volcanic eruption. Using equipment and technical expertise provided by USAID's Office of Foreign Disaster Assistance (OFDA) and the U.S. Geologic Survey, the Philippine Institute of Volcanology and Seismology monitored the volcanic activity. Based on early warning indicators, the Government of the Philippines ordered the evacuation of residents from a 20-mile radius of the mountain, and U.S. military personnel, dependents, and resources were withdrawn from Clark Air Force Base. At least 80,000 people were saved and an estimated \$1 billion in U.S. and Filipino assets were spared, due to the early warning investment and preemptive evacuation.

The drought that struck southern Africa during the 1991-1992 agricultural season had a devastating impact on agricultural production and placed an estimated 16 million people at risk of starvation. USAID missions reported the potential seriousness of crop failure early, and the early USAID intervention prevented widespread starvation. Unlike previous African droughts, food was delivered to needy populations before it became necessary for them to leave their homes in search of food. No major migrations occurred, and the formation of displaced persons camps was avoided, minimizing the costs of the relief operation and permitting agricultural rehabilitation to begin quickly once rain returned in late 1992.

By the end of 1993 more than 3,300 nationals in Latin America and the Caribbean have received OFDA disaster training. By training first-responders to disasters, the need for external intervention is decreased as local capabilities are strengthened and host country institutions can respond more quickly and effectively to disaster situations.

When a tropical storm hit Caracas, Venezuela in August 1993, for example, local authorities trained by OFDA were able to handle the response with minimal outside assistance. Due in part to investments in this and other disaster prevention, mitigation and preparedness programs, the total amount of U.S. Government expenditures for disasters in Latin America dropped from \$228 million for the five-year period (1984-1988) to \$40 million for the succeeding five-year period (1989-1993).

Greater attention is being placed on action that can be taken to prevent a drought or other disaster situation from becoming a crisis. For example, the USAID Administrator, at the request of the President, led a fact-finding mission to the greater Horn of Africa in 1994. As a result of the trip, the U.S. Government developed a regional food security strategy which is being implemented in collaboration with other donors and the governments and people of the region.

In 1994, the U.S. response to complex emergencies achieved significant results. In Bosnia-Herzegovina, USAID-provided food and other assistance helped prevent widespread death from starvation and exposure in the winter of 1993-1994. In Rwandan refugee camps in Zaire, the Department of Defense and USAID provided a potable water system that broke the back of a cholera epidemic among the camps' 800,000 inhabitants.

USAID's efforts to help prevent, mitigate, and prepare for disasters has paid big dividends. Early warning systems for famine (FEWS) and pestilence in Africa, and volcanoes elsewhere, have become increasingly effective in saving lives, property and rehabilitation costs. FEWS data and reporting across Africa have allowed donors and governments to target food aid to affected people more quickly. For example, in Malawi, FEWS staff helped the government to develop an effective food distribution schedule based on crop estimates.

Transition initiatives are extremely difficult due to the environments in which they take place. USAID support to Mozambique, however, helped that country emerge from 17 years of civil strife and the 1992 drought to hold free and fair multi-party elections in October 1994. Recent efforts to restore democracy in Haiti also have been promising.

Working through networks of private and voluntary organizations (PVOs) and government-to-government food aid programs in Mozambique and Ethiopia, USAID provided safety nets for vulnerable groups, kept farmers on their farms, and helped them keep farm tools and other assets until crises passed. The number of emergency food aid recipients has now dropped significantly in these countries. Emergency food aid provided a critical safety net for 26,000 people in Gaza and the West Bank during the transition to autonomous rule, to over 1.2 million vulnerable people in Haiti through its recent political crisis, and to 23,500 Guatemalan refugees who had fled to Mexico.

## SUMMARY OF BUDGET REQUEST

USAID will administer \$7.6 billion, or one-third, of the \$21.5 billion requested for the International Affairs (Function 150) budget for FY 1996. International Affairs represents just over one percent of the federal budget; the USAID request represents one half of one percent of the total federal budget. The budget narratives throughout this submission cover the full range of USAID-managed programs although some of the programs are requested through other agencies (food assistance under P.L. 480 through the budget of the U.S. Department of Agriculture - USDA) or are administered in coordination with the Department of State (Economic Support Funds and programs for Central and Eastern Europe and the New Independent States of the former Soviet Union).

The Department of State has prepared a summary volume to Congress which covers the entire International Affairs function organized by six major foreign policy objectives: Promoting Sustainable Development, Building Democracy, Promoting Peace, Providing Humanitarian Assistance, Promoting U.S. Prosperity, and Advancing Diplomacy. While this USAID submission deals only with USAID-managed programs, a table at the end of this summary explains where each program fits within the foreign policy structure used in the Department of State submission.

## FUNDING SUMMARY

For FY 1996, the President is requesting an appropriation of \$7,560,562,000<sup>1</sup> for USAID-administered programs, which compares to the FY 1995 level of \$7,337,835,000 that includes proposed rescissions and supplementals. The FY 1996 request includes funding for Development Assistance (DA), the Economic Support Fund (ESF), Assistance for Eastern Europe and the Baltic States, and Assistance for the New Independent States of the former Soviet Union. Also included are P.L. 480 Titles II and III administered by USAID, which are requested under the USDA budget submission.

## A. Development Assistance

For Development Assistance, the FY 1996 request totals \$2,952,532,000, which compares to \$2,922,493,000 appropriated for FY 1995, plus a proposed FY 1995 supplemental of \$18,000,000. Development Assistance includes funding for the Development Assistance Fund (DAF), the Development Fund for Africa (DFA), International Disaster Assistance, credit guaranty subsidies and administration costs of credit programs, USAID and Inspector General Operating Expenses, as well as the Foreign Service Retirement and Disability Fund, a mandatory account which does not require authorization. Budget authority is requested to fund additional guaranty programs, including the Housing Guaranty Program and the Micro and Other Credit Guaranty programs.

Development Assistance activities are designed to promote sustainable development in some of the poorest countries in the world where there is a willingness to work toward bringing the poor into the mainstream of their economies.

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<sup>1</sup> This excludes \$47 million requested under International Narcotics Control for USAID-managed counternarcotics programs in Peru and Bolivia, and includes \$12 million of ESF for international criminal justice efforts managed by the Department of State. Taking those adjustments into account, the total for USAID-administered programs is \$7,595,562,000, as shown in the table at the end of this section.

### 1. Development Assistance Fund

The FY 1996 request for the Development Assistance Fund (DAF) is \$1,300,000,000, compared to the FY 1995 appropriation of \$1,301,402,000, plus a proposed FY 1995 supplemental of \$18,000,000. This request will support programs aimed at bringing the benefits of development to the poor in developing countries by promoting broad-based, self-sustaining economic growth and also is focused on initiatives to help stabilize population growth, protect the environment and foster increased democratic participation in developing countries; these objectives are interrelated and problems in any of four of these areas must be addressed in concert with one another if success is to be achieved. USAID's programs also are tailored to help solve the primary causes of underdevelopment in a particular country in concert with the host government and its citizens.

### 2. Development Fund for Africa

The FY 1996 DA request includes \$802,000,000 for the Development Fund for Africa (DFA), the same as the FY 1995 appropriation. The purpose behind the creation of the DFA, a single development account for Africa, was to focus and concentrate resources in a limited number of countries where they will be used most effectively and where management resources can be used as efficiently as possible. This has meant that bilateral programs have already been closed out in three African countries and USAID will be phasing out of six other African countries in FYs 1995 and 1996. Within the context of this performance-based budgeting, USAID has been able to meet the three 10% targets in health, population and natural resources management through a combination of DFA and central program funds. DFA resources finance both project and non-project assistance and have the same aims as noted above for the DAF programs.

### 3. Other Development Assistance Programs

- Agency Guaranty Programs include the Microenterprise and Other Credit Guaranty Programs, including a new Enhanced Credit Program, and the Housing Guaranty Program.
  - The Housing Guaranty Program extends guaranties to U.S. private investors who make loans to developing countries to assist them in formulating and executing sound housing and community development policies that meet the needs of lower-income groups. USAID is requesting \$16,760,000 in budget authority for loan subsidy costs, which will fund \$141,886,000 in guaranties, compared to \$155,500,000 in FY 1995. Also requested is \$7,240,000 for administrative costs, as required by credit reform. Use of permanent appropriation authority to pay claims costs is estimated at \$23,201,000 in FY 1996.
  - For Microenterprise and Other Credit Programs, in FY 1996 USAID requests \$12,000,000 for the subsidy cost of direct loans and loan guarantees, plus \$2,500,000 for related administrative costs. Of this amount, \$10,000,000 is for subsidy costs of a proposed new initiative, the Enhanced Credit Program, intended to guarantee \$105,007,000 in FY 1996 to increase the use of market rate loans and loan guarantees to promote USAID's development agenda. The remaining \$2,000,000 in subsidy costs for Micro and Small Enterprise Development program to finance \$33,873,000 in microenterprise guaranties and \$3,540,000 of direct loans in FY 1996, compared to \$26,824,000 in microenterprise guaranties and \$1,640,000 of direct loans in FY 1995.
- International Disaster Assistance funds are being requested at a level of \$200,000,000 for FY 1996 for emergency relief efforts and improving foreign countries' own disaster preparedness, mitigation, and prevention techniques and internal response capabilities, as well as for longer-term rehabilitation and recovery efforts, for countries emerging from man-made and long-term natural disasters, managed by the Office of Transition Initiatives. Funding for costs of assisting Iraqi Kurds, previously funded under the Department of Defense's Operation Provide Comfort, also is included in this request.

- Operating Expenses (OE) cover salaries and other support costs of USAID operations in Washington and at overseas locations, except for the Office of the Inspector General and the costs of administering the Agency's credit programs, which are budgeted separately. The OE request of \$529,000,000 for FY 1996 compares to an FY 1995 appropriation of \$517,500,000. The FY 1996 request of \$529,000,000 will support a total cost of operations for USAID in FY 1996 of \$580,388,000, the balance of funds being derived from local currency trust funds, reimbursements, and prior year recoveries carried forward to FY 1996. Total operating costs for FY 1995 are estimated to be \$597,585,000. While staffing levels have decreased somewhat and are projected to decrease further, the current funding request includes the short-term, up-front costs of closing out some country missions and implementing management reforms.
- Inspector General (IG) Operating Expenses cover the cost of domestic and overseas operations of USAID's Inspector General. USAID is requesting \$39,118,000 for IG Operating Expenses in FY 1996, the same as the FY 1995 level.
- The Foreign Service Retirement and Disability Fund (FSRDF), set at \$43,914,000 for FY 1996, covers mandatory costs of the unfunded liability associated with the inclusion of USAID career foreign service employees in the Fund, beginning in FY 1974. This compares to \$45,118,000 required for FY 1995.

#### B. Economic Support Fund

The Economic Support Fund (ESF) addresses economic and political foreign policy interests of the United States, in some cases related to military base rights or access rights agreements. To the extent feasible, the use of ESF conforms to the basic policy directions underlying Development Assistance. ESF can finance balance of payments and economic stabilization programs, frequently in a multi-donor context. Major ESF programs continue in Israel, Egypt, and Turkey.

The request level for ESF for FY 1996 is \$2,494,300,000, which includes \$12,000,000 for international criminal justice initiatives managed by the State Department. This compares to the FY 1995 level of \$2,450,900,000, which includes \$82,300,000 for a proposed FY 1995 supplemental request not yet enacted. The ESF request for USAID-managed programs includes \$220,500,000 for countries in transition such as Nicaragua, Haiti, and Cambodia, and \$2,261,800,000 for promoting peace, especially for Israel, Egypt, West Bank and Gaza, and Turkey, among others.

#### C. International Narcotics Control

Funding for USAID managed counter-narcotics programs in Bolivia and Peru, totaling \$47,000,000, is included in the State Department budget request for International Narcotics Control under Promoting Peace.

#### D. Assistance for Central and Eastern Europe

This program, established by the Support for Eastern European Democracy (SEED) Act of 1989, provides funding for the democratic evolution in Central and Eastern Europe. These funds support democracy and economic restructuring in Central and Eastern European countries, including the Baltic republics. For FY 1996, USAID is requesting a total of \$480,000,000. The FY 1995 appropriation included \$359,000,000 for this program.

#### E. Assistance for the New Independent States of the Former Soviet Union

Established by the FREEDOM Support Act, \$788,000,000 is requested in FY 1996 for Assistance to the New Independent States of the former Soviet Union, compared to the FY 1995 appropriation of \$719,400,000, excluding \$130,600,000 in transfers to other agencies. These funds support U.S. foreign policy goals of consolidating improved U.S. security, building a lasting partnership with the New Independent States and providing access to each other's markets, resources, and expertise.

**F. P.L. 480 Food for Peace and Other Food Programs**

USAID has the statutory authority to implement the P.L. 480 Title II and Title III grant Food for Peace programs, although funding for both programs is formally requested through the U.S. Department of Agriculture's budget submission. In addition, USAID is responsible for implementing the Farmer-to-Farmer program, a grant program to provide cash support to private voluntary organizations (PVOs) and cooperatives carrying out food aid programs, and for establishing a Food Aid Consultative Group with participation of PVOs.

Title II provides grant food aid for emergency programs, as well as regular programs sponsored by PVOs and the World Food Program to benefit needy people -- either by the direct distribution of the food or the use of local currencies generated by sale of the food in the recipient country. Budget authority requested for Title II in FY 1996 is \$795,700,000, which compares to \$821,100,000 appropriated in FY 1995.

The Title III grant program entails food assistance which is provided through governments of least developed or food deficit countries which meet specific eligibility criteria established in the 1990 legislation. The FY 1996 budget authority requested is \$50,000,000, which includes both commodity and transport costs. [This compares to \$67,500,000 appropriated for FY 1995 (including a rescission being proposed by the Administration).

The following table identifies USAID-managed accounts as they fit under the Administration's foreign policy objectives.

## FY 1996 REQUEST FOR USAID—MANAGED PROGRAM ACCOUNTS

AND

## ADMINISTRATION'S FOREIGN POLICY OBJECTIVES

**Promoting Sustainable Development:**

Development Assistance Fund	\$ 1,300,000,000
Development Fund for Africa	802,000,000
Housing Guaranty Program—subsidy and administrative costs	24,000,000
Microenterprise and Other Credit Programs—subsidy and administrative costs	14,500,000
P.L. 480 Title III	50,000,000
Subtotal	\$ 2,190,500,000

**Building Democracy:**

Assistance for the New Independent States of the former Soviet Union	\$ 788,000,000
Assistance for Eastern Europe and the Baltics	480,000,000
Economic Support Funds—Countries in Transition	220,500,000
Subtotal	\$ 1,488,500,000

**Promoting Peace:**

Economic Support Funds (see also Building Democracy above)	\$ 2,261,800,000	1/
International Narcotics Control	47,000,000	2/
Subtotal	\$ 2,308,800,000	

**Providing Humanitarian Assistance:**

International Disaster Assistance	\$ 200,000,000
P.L. 480 Title II	795,703,000
Subtotal	\$ 995,703,000

**Advancing Diplomacy:**

Operating Expenses	\$ 529,027,000
Inspector General Operating Expenses	39,118,000
Foreign Service Retirement and Disability Fund	43,914,000
Subtotal	\$ 612,059,000

**Total USAID—Managed Programs** **\$ 7,595,562,000**

1/ ESF level shown excludes \$12 million for international criminal justice initiatives managed by the State Department.

2/ The International Narcotics Control figure reflects only the portion of the \$213 million request managed by USAID.

**COUNTRY AND REGIONAL PROGRAMS**

**AFRICA**

**John F. Hicks**  
**Assistant Administrator**  
**Bureau for Africa**

## AFRICA

## INTRODUCTION.

Africa is the "final frontier" of development, both in terms of need and opportunity. In response to the changing realities of the world around us and evolving U.S. national interests, American foreign aid has shifted repeatedly over the decades -- from the Marshall Plan to rebuild Europe after World War II, to the Alliance for Progress initiated in the 1960s to develop Latin America, to significant infusions of aid to Southeast Asia in the 1970s. In 1987, recognizing the uniqueness of the development challenges in Africa, the Congress created the Development Fund for Africa (DFA). This bipartisan effort reflected the conviction that the United States has clear national interests in promoting broad-based, sustainable development in Africa, that aid to the continent is in keeping with our national values, and that progress could be made as a consequence of a sustained effort. The DFA required USAID to change the way it did business in Africa -- the countries we target, the types of aid we provide, and the manner in which we carry out our programs of assistance.

Today, USAID's efforts under the Development Fund for Africa (DFA) are making a difference in the lives of many Africans. USAID has focussed resources on the continent's most critical development problems and concentrated assistance in those countries committed to sound economic policies, good governance and democracy. As a consequence of this new approach and the political and economic reforms which have swept across Africa, we are making progress and achieving results. Just as our investments in Latin American and Asia over the past three decades are now reaping returns, USAID's assistance to Africa today is laying the foundation for expansion of U.S. exports and economic growth in the 21st century. However, Africa's progress is still fragile and could be reversed unless the United States is prepared to remain engaged on the continent over the coming decade.

The Administration is committed to maintaining resource levels to Africa that enable the United States to meet the challenges and seize the opportunities for sustainable development. The Administration's FY 96 request includes the following resources for Africa:

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Development Fund for Africa (DFA)	\$ 802,000,000*
Development Assistance (DA)	\$ 56,000,000
P.L. 480 Title II regular	\$ 103,858,000
P.L. 480 Title III	\$ 44,700,000
Economic Support Funds	\$ 24,350,000
<b>TOTAL PROPOSED RESOURCES</b>	<b>\$1,030,908,000</b>

\*includes \$30,685,000 of DFA resources for Africa Regional projects to be transferred to USAID's Global Bureau

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Proposed development aid to Africa accounts for one half of one tenth of one percent (0.05%) of the Federal budget. The investment amounts to less than \$4 by each American, or about \$2 for each African.

**PROMOTING AFRICA'S DEVELOPMENT IS IN OUR NATIONAL INTEREST...**

Africa matters to the United States. Africa matters because of the huge potential of its people and its economies, potential that already creates jobs and exports for our nation. It matters because of the historic ties that bind our peoples...And it matters because the great global challenges of tomorrow...can be seen in the challenges facing Africa today.

President Bill Clinton, February 3, 1995

**...Making Investments for the Future...**

Assisting Africa is in our national economic interest. USAID's investments in broad-based economic growth are helping grow markets for American goods and services. We are investing in our own economic future, as well as the future of Africa. Experience from both Asia and Latin America clearly demonstrates that the United States benefits directly from the economic expansion which our foreign aid helps fuel. In fact, we are already seeing U.S. exports expand in several African countries that have pursued sound policies and achieved economic growth.

With a total population of 560 million (1993), projected to grow to one billion by the year 2015, Africa has significant potential as a market for U.S. exports. In 1992, sub-Saharan Africa imported \$63 billion of merchandise goods from the world. From 1985-1992, African imports grew annually by about 7 percent. For the best performers, the expansion was closer to 11 percent. At the lower rate of 7 percent, the African market would amount to \$480 billion by 2025, which is approximately \$267 billion in today's dollars -- the size of the entire Japanese market in 1995.

In 1993, the U.S. exported goods and services valued at \$6 billion to sub-Saharan Africa, a volume which exceeded total American exports to the Commonwealth of Independent States by 20 percent. These exports represent tangible benefits to Americans; it is estimated that every \$1 billion of exports creates about 20,000 American jobs. At current growth rates, Africa would produce exports worth \$600 per American family in 2025. If we make the investments Africa needs, and African governments continue to implement the kind of sound economic policies that have fueled growth in Asia and Latin America, the return to each American family could be as much as \$2000 annually. These are significant returns on our development assistance investment. They represent millions of new jobs for our children and continued financial health for our nation and the world.

**...Practicing Preventive Diplomacy...**

We also have a strategic and financial interest in assisting Africa to prevent crises before they arise. Although firm foundations for economic growth are being laid, much of Africa is living on the edge. Food security and agricultural-led growth is made tenuous by adverse agro-climatic conditions and volatile world prices for Africa's primary commodities. Ethnically diverse populations thrown together through the colonial occupation and limited experience with modern nation-building contribute to political instability.

Natural disasters like the Great Sahel Drought of the 1970s and the civil disorder in Rwanda and Somalia cause tremendous suffering and loss of life. They also impose heavy burdens on the international community because of the high cost of emergency relief provided in response to these tragedies.

Sustainable development can play a critical part in preventing these crises. Emergency relief is critical to address the symptoms of suffering and, as a caring nation, we will continue to offer such aid. But development assistance helps redress the root causes of crises and will ultimately save money.

**...AND IS CONSISTENT WITH OUR NATIONAL VALUES.**

Our assistance program to Africa also reflects our national values. Americans are a caring people, and our nation is premised on the philosophy that people should have the opportunity to make a better life for themselves. USAID's development assistance programs foster economic and political empowerment; we offer a helping hand, not a hand-out. Nowhere is the justification for foreign aid clearer and more compelling, in terms of our national values, than Africa.

Americans have also voiced their concern about the loss of Africa's unique biological diversity. The publicity surrounding African wildlife conservation highlights a more fundamental development challenge. Biodiversity is an invaluable source of natural capital for African societies and for the world at large. Stemming its loss is a global priority for USAID and a national-level priority in many of our country programs.

Finally, Africa matters to the United States because we have deep historical and cultural ties to the continent. With more than 25 million Americans of African descent, as a nation we have a special interest in Africa's development.

**AFRICA IS THE FINAL FRONTIER OF DEVELOPMENT...**

Africa faces the greatest development challenges of any region of the world. According to the 1994 World Development Report, 19 of the 25 poorest countries, based on GNP per capita, are in Africa. Great strides have been made in Africa in the past twenty five years, but basic socio-economic indicators show that Africa's need for integrated development assistance is much greater than other continents'.

Indicator	Historical	Current	Current	
	Africa	Africa	LAC	Asia
GNP per capita	\$384 (1980)	\$340	\$2690	\$575
Life expectancy	48 yrs (1982)	52 yrs	68 yrs	65 yrs
Infant mortality	142/1000(1970)	99/1000	44/1000	62/1000
Child mortality	n/a	170/1000	57/1000	83/1000
Adult literacy	27% (1980)	50%	85%	63%
Primary school enroll	50% (1970)	66%	106%	104%
Secondary school	7% (1970)	18%	47%	45%
Annual Pop. growth	3.0% (80-85)	3.0%	2.0%	1.9%

There are several other challenges which make Africa unique:

- o HIV/AIDS infection rates are the highest in the world and are still rising in most African countries;
- o the continent is prone to drought because soil conditions are delicate, rainfall is more variable, and there is limited irrigation infrastructure;
- o because of Africa's agro-climatic diversity, there is no single, dominant food crop, so extensive agricultural technology development investments are required to achieve food security;

- o the cost of infrastructure investments is relatively higher because of Africa's large expenses and low population densities;
- o still in its first generation after colonization, Africa has limited experience with nation-building and modern democratic institutions;
- o the potential for political instability is higher because national boundaries drawn by colonial powers do not reflect the continent's tremendous ethnic diversity;
- o many countries have relatively large militaries which need to be downsized and demobilized and, in countries like Angola and Mozambique, extensive demining which must be done for successful political transitions and sustainable development;
- o the continent is more affected by the volatile world economy, suffering from a long-term downturn in commodity prices and capital movement; and
- o Africa has a growing debt, currently estimated at \$180 billion, which has a greater impact on sustainable economic growth than any other region: in 1993, external debt equalled 108% of sub-Saharan Africa's total GNP, compared to 40% in Latin America; scheduled debt service payments are almost 30% of export earnings and are projected to be much higher than Africa has been able to service in recent years; while little USG official debt remains, the fastest growing component of the external indebtedness of African countries is multilateral debt (including the IMF, World Bank and African Development Bank) which cannot be rescheduled or forgiven.

#### ...BUT GOOD THINGS ARE HAPPENING.

There is a clear need in Africa, but is there hope? Most definitely. Unfortunately, the headlines rarely report the many positive developments and success stories.

Political and economic changes have swept the continent in the last few years, enhancing the opportunities for growth and development. Nearly two-thirds of the countries in sub-Saharan Africa are consolidating their democracies or are in transition to a democratically-elected government. Africa's new leaders are committed to broadening participation and to undertaking reforms necessary for development. They are pursuing extensive economic restructuring programs, including privatization of state-owned enterprises, reducing government functions and budgets, stabilizing the economy, and deregulating so that the private sector can expand. U.S. development assistance is critical to support the successful political and economic transformations taking place across Africa. These changes will also enhance the use and impact of our aid. And, experience in Asia shows us that, if assistance is sustained, it will make a difference.

Africa is not significantly behind where some of the "Asian tigers" were thirty five years ago. For example, African per capita income is about 80 percent of what it was in Malaysia, Indonesia and Thailand in 1960. The structures of the economies are very similar, with agriculture the dominant sector and manufacturing accounting for only about 10 percent of GDP. Large infusions of development assistance to the Asian Tigers since 1960 have helped substantially reduce poverty, slow population growth, and increase literacy and education levels. They are now major players in the world economy. While significant aid was provided to Africa during the 1970s and 1980s, much of this was concentrated in a few countries which were not undertaking good economic policies or democratic governance but were considered strategically important in the Cold War context. Today, with the dramatic political and economic changes of the last five years, Africa has great potential for growth and development if sustained investments are made. In fact, our aid is already making a difference.

## USAID IS MAKING A DIFFERENCE IN AFRICA...

The Administration has five foreign policy goals in Africa:

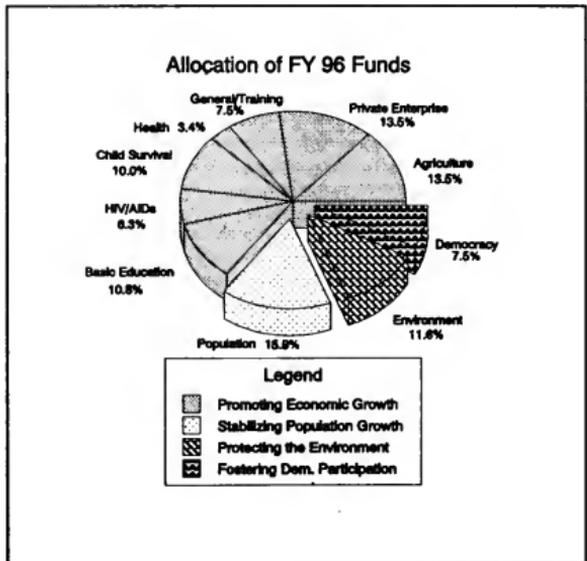
- o supporting sustainable development;
- o alleviating suffering and hunger;
- o fostering democracy and respect for human rights;
- o promoting peace by preventing and resolving conflict; and
- o increasing American private sector involvement in Africa, as we seek to integrate Africa into the global economy.

USAID's assistance program in Africa is one of the principal means of achieving these post-Cold War foreign policy goals.

Under the DFA, USAID has taken a longer-term approach to Africa's development; we are systematically addressing the root causes of underdevelopment -- economic, social and political. The Agency's sustainable development strategy represents an integrated approach to improve the well-being of the people of Africa, through:

- o promoting broad-based economic growth with equity, through smallholder agriculture and small enterprises, as well as complementary human development investments in education and health;
- o stabilizing population growth;
- o protecting the environment;
- o fostering democracy and participation in social and economic decision-making; and
- o structuring emergency relief to help nations make the transition from crisis to sustainable development.

The proposed FY 96 budget for Africa demonstrates this integrated approach and is responsive to Congressional targets. (see chart).



U.S. development assistance to Africa is making a difference because it is well focussed and well managed. USAID is seeing significant results in a number of areas...

### ...Progress in Promoting Broad-based Economic Growth

...through smallholder agriculture...

Since 1991, USAID's Agriculture Sector Assistance Program in **Malawi** has been instrumental in improving the incomes of 20,000 smallholder farmers that were formally prohibited from participating in Malawi's cash crop economy. As a result of conditioning our assistance on specific reforms, USAID was able to open up competitive private markets to smallholder farmers, thereby increasing annual farm incomes from \$200 to \$700.

As a result of the multidonor Program for the Restructuring of the Cereals Market in **Mali**, which USAID has supported through a combination of food aid and development assistance, the government has gotten out of price setting and marketing of grains. The sole remaining functions of the old grain marketing board are to maintain national food security stocks and provide market information to farmers. At the same time, ICRISAT, an international agricultural research center, developed higher yielding, drought resistant varieties of millet and sorghum under a USAID/Malawi grant. These investments have contributed to a steady increase in grain production since 1981, so that locally-produced grain available to the average Malian has nearly doubled, from 120 to 220 kilograms per year. This has improved both national and household food security and increased farm family income.

...through private enterprise...

USAID's private sector projects encourage private investment and growth of the economy, as well as generate income for Africans, typically through a combination of economic policy and financial sector reforms, provision of credit and business advisory services, and training of local entrepreneurs.

There is great potential for U.S. exports to countries like **Ghana** that are pursuing sound economic growth policies. American exports there expanded 73% between 1992-93, making the U.S. the third largest supplier after the United Kingdom and Nigeria. USAID's Trade and Investment Program has encouraged the Government of Ghana to adopt a revised investment code and registration system and to remove regulatory bottlenecks facing exporters, as well as helped improve export infrastructure. USAID's efforts are paying off: there has been a dramatic expansion of new businesses, with registration of new investments increasing from 200 in 1991 to an estimated 800 in 1994; and non-traditional exports have almost doubled in two years, from \$68 million in 1992 to \$114 million in 1994. It is expected that the program will generate 60,000 new jobs.

Under a similar USAID program in **Uganda**, non-traditional exports have increased six-fold since 1987.

In **Zimbabwe**, the USAID program strengthens the competitiveness of business, with special emphasis on small and medium enterprises. USAID's Business Development Project has also helped formulate anti-trust legislation, which lowers entry barriers for both local and foreign investors and exporters. U.S. companies have been among the more important investors in Zimbabwe since independence in 1980, including Heinz, Pioneer Hybrid, and Cummins Engines.

Many USAID private activities in Africa help develop income generating opportunities for the poor, as called for by the DFA. For example, during its first year of operation, the Regional Oils Project in **Tanzania** generated over \$1 million in rural income, created over 4000 seasonal jobs, provided secure markets for 10,000 oilseed growers, and generated additional profits for small-scale metal workshops and artisans who build the oilseed presses. The project is also underway in Zimbabwe and Uganda, and the oilpress technology is being extended to rural areas in Mozambique and Ethiopia, and black townships in South Africa.

...through rural infrastructure...

Rural roads are critical investments in development. In Tanzania, USAID encouraged the Government to privatize road construction and maintenance. Not only did costs decline, but the investments have helped raise rural incomes and improve access to markets and social services: traffic has increased over 30 percent; vehicle operating costs have been cut by one-third; transport fares and freight charges have declined 20 percent; and household incomes have increased 20 percent.

...through human development...

Strengthening Africa's workforce through improved health and better education are keys to promoting broad-based economic growth.

Excellent progress has been made in improving child survival. Working in concert with UNICEF and other donors to strengthen health service delivery systems, USAID support for expanded immunization and use of oral rehydration therapy are saving an estimated 800,000 African children each year.

In Niger, USAID's health sector support has improved the quality of health care and increased access. While fees were instituted to make the system sustainable, demand for both curative and preventive services increased, including a doubling of utilization by the poorest Nigeriens.

In basic education, USAID is working to improve primary education systems in Africa, focussing on increasing equity, access, and efficiency. In Guinea, which had one of the worst education systems in Africa, there have been dramatic progress through USAID's support: 1900 new classrooms have been built, with parents contributing 20 percent of construction costs; 2500 teachers have been shifted from secondary schools to primary schools and 7000 teachers have been retrained; first grade admissions have doubled and overall school attendance has increased 43 percent; government spending on education has expanded from 14 percent of the budget to 26 percent; and 80 percent of the primary school budget has been decentralized to local authorities.

One of the most significant trends in African development has been the enormous increase in well-educated, self-confident men and women across all areas of African life. There were only about 5,000 Africans with university degrees at independence. Since 1960, USAID has provided scholarships for over 16,750 Africans to receive degree training at U.S. universities. Almost 30,000 more have received short-term technical or non-degree training. Many of these people are and will be the leaders of Africa.

#### ...Progress in Stabilizing Population Growth

Many African countries are on the brink of a demographic transition. As the leading donor in family planning, USAID has been instrumental in these changes. Probably one of the most dramatic examples of a demographic transition that has ever been recorded is happening in Kenya. Total fertility rates--the number of children a woman could be expected to bear in her lifetime--dropped from 8.1 in 1977 to 5.4 in 1993. This historic drop in fertility is due mainly to increased use of modern methods of contraception. Dramatic progress has also been made in Zimbabwe, where USAID is by far the largest donor in family planning; total fertility has decreased from 8.5 in 1984 to 5.5 in 1988 to 4.4 in 1994.

In Ghana, contraceptive prevalence increased from under two percent in 1985 to fifteen percent by 1993. In Tanzania, levels of modern contraceptive use have doubled almost overnight, from six percent in 1992 to 12 percent in 1994.

### ...Progress in Protecting the Environment

Natural resources remain the foundation for economic growth in Africa. Across the region, USAID has invested heavily in innovative, community-based, natural resource management programs that raise rural incomes, protect the environment, and strengthen the role of communities in the economic and political life of their societies. Our support for community-based management of wildlife in **Southern Africa**, for example, has helped to shape a biodiversity conservation strategy with global applications.

**Mali** has made great strides in introducing policy and institutional changes in natural resources management. A growing number of communities now have greater authority to manage forestland, and farmers have adopted farming practices that are both more productive and environmentally sound. The result of these improvements has been increased yields and diversified cropping.

The natural resource base of **Madagascar** is seriously threatened by deforestation, soil erosion and associated declines in soil fertility. USAID, with other donors, is supporting Madagascar's Environmental Action Plan, one of the first in Africa. The goal is to save 3.6 million hectares, an area about the size of Maryland, by conserving biodiversity, improving the sustainable management of forests and national parks, and increasing income and employment opportunities for those living around the parks. This program is already having an impact. Farmers are learning new cultivation practices, and village committees are increasing environmental awareness and reducing illegal wood cutting. Villagers are benefitting through revenue sharing of national park entrance fees, income from sales of souvenirs and handicrafts, and job opportunities within the park. As a consequence, rural people are now seeing it in their interest to protect the environment.

### ...Progress in Fostering Democracy and Participation

USAID has also provided important assistance to the peaceful transition to and consolidation of democratic states and societies. While the sweeping political changes and democracy are an African phenomenon, coming from deep within a population tired of corrupt, dictatorial and ineffective authoritarian regimes, the United States has helped support the transformation; we have helped to empower ordinary Africans to add their voices to the process.

The history-making April 1994 elections in **South Africa** received strong support from USAID, where our decade-long program helped lay the foundation for the transition to democracy. The U.S. was the largest donor of electoral assistance, providing over \$35 million to strengthen the electoral process. It is estimated that voter education efforts, carried out by USAID-funded NGOs, reached 3.6 million eligible voters. When South Africa decided to use a two-ballot system, USAID funded ten million new sample ballots to explain the new system to voters.

USAID support to **Mozambique** bolsters both the economic and political steps that have brought that country back from the brink of disaster to the cusp of sustainable development. The successful October 1994 election was an important event in the transition to a democratic nation. USAID provided \$14 million to the United Nations Development Programme (UNDP) Electoral Trust Fund to finance training of election officials, civic education programs, and logistical support for registration and voting. As a result, 90 percent of registered voters went to the polls.

To support political stability and democratization, the U.S. has also provided valuable assistance to demobilizing troops in numerous African countries. In **Mozambique**, USAID funded transportation, basic supplies and health care as part of a comprehensive program to reintegrate into civilian life some 90,000 troops. In **Uganda**, USAID facilitated the demobilization of almost 23,000 troops to date; another 10,000 are in the process of being demobilized.

The U.S. has also undergirded nation-building in Africa's two newest independent states -- **Namibia** and **Eritrea** -- through our sustainable development programs.

Similar to efforts here at home to reinvent government, USAID is helping Africa's new leaders make their governments smaller and more effective and give power back to the people, through: civil service reform and reductions; budget reductions and reallocations; privatization; deregulation; and decentralization.

### ...Progress in Preventing Crises

The United States has played an important role in averting natural disasters, facilitating peaceful political transitions and rebuilding countries decimated by civil war.

Several clear successes in averting natural disasters stand out. First, following the Sahel famine of the early 1970s, African states and donors organized a famine early warning system, developed more drought-resistant grains, and liberalized agricultural markets. These investments have helped avert disaster in the arid, drought-prone Sahel in the two decades since. Secondly, in Southern Africa, an unprecedented drought in 1991-92 did not develop into a famine because of: an effective early warning system; the quick response of the United States and excellent donor collaboration in providing food aid; the highly developed regional transport infrastructure system; and effective coordination among countries in transborder food aid shipments. Moreover, in the wake of the drought, food production hit record highs in many of the Southern African countries, as a consequence of new agricultural technologies and liberalized markets. Thirdly, in the Horn of Africa last year, coordinated assessments and actions helped avert any major food shortages, and the U.S. is now developing with the host countries and major donors in the Horn a regional initiative to redress the root causes of food insecurity and instability.

The United States played a critical role in facilitating a number of peaceful political transitions which had the potential for political instability and crisis, including: South Africa, Malawi, Zambia, Benin, Mali and Niger.

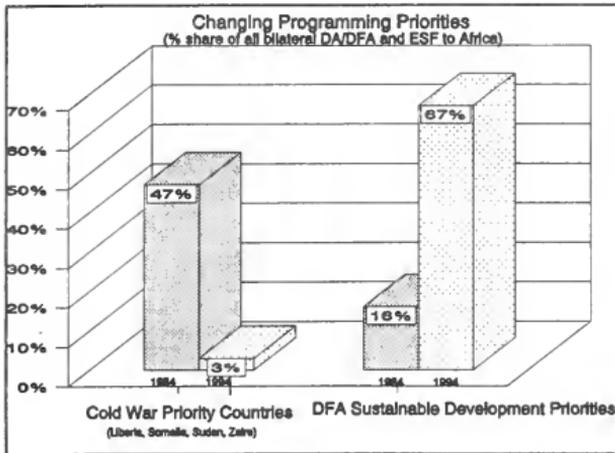
Furthermore, Uganda, Mozambique and Ethiopia offer hope as countries which have been brought back from the brink of self-destruction, through successful political transitions, economic stabilization, and initial growth which American efforts supported. The U.S. has funded the demining of roads and the country-side in Mozambique to enable refugees to return home and to facilitate economic recovery.

### USAID IS DOING BUSINESS DIFFERENTLY IN AFRICA.

The Development Fund for Africa has provided valuable flexibility and assured resources to address the continent's most critical development constraints. In response, in order to enhance the effectiveness of our aid programs, the Africa Bureau developed innovative programming, budgeting and evaluation systems. The principal beneficiaries of our development assistance have changed dramatically as the Agency shifted resources to where they would have the greatest development impact. USAID has also strengthened African participation and ownership in all aspects of our programs, and improved coordination with other donors. Many of the Agency's reforms under the current reinventing government effort were pioneered under the DFA and are now serving as models for the rest of USAID.

Performance Management Contracts. In 1990, the Africa Bureau initiated a new multi-year, strategic planning process. Field missions have entered into a "contract" with USAID/Washington to deliver a specific development impact based on a mutually-agreed level of financial and staff resources. As well, an annual assessment of program impact is undertaken. Successes and problems identified through mission monitoring and evaluation efforts enable USAID managers to make informed programming and budgeting decisions about what to replicate, reinforce or eliminate.

**Performance-based Budgeting.** To enhance the effectiveness and impact of U.S. development assistance, the Africa Bureau developed a performance-based budget (PBB) allocation system. Annually, USAID assesses the economic and social policies and democratic governance practices of African governments, country need, and the effectiveness of USAID's development program.



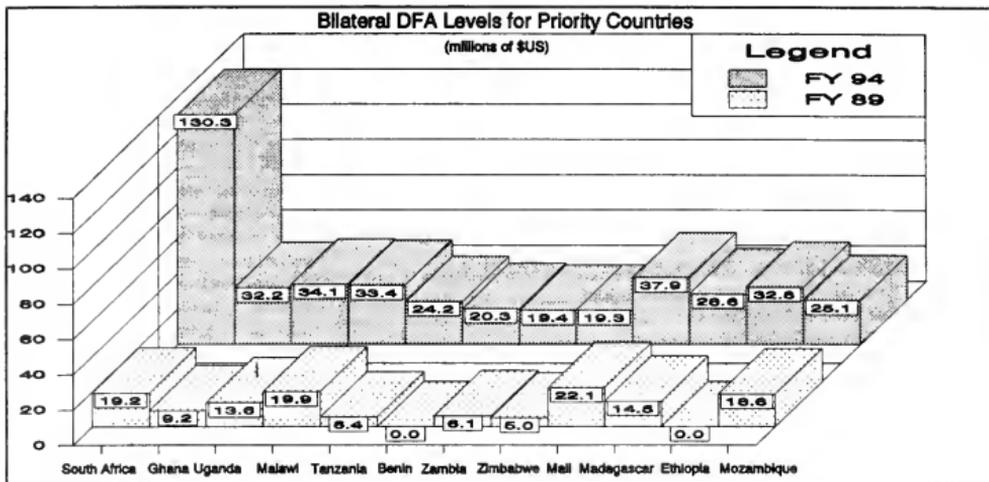
There has been a dramatic shift in U.S. foreign aid patterns in Africa over the past ten years. (See graph). During the Cold War, almost half of all U.S. assistance to Africa was concentrated in four countries (Sudan, Somalia, Zaire and Liberia). Large amounts of American aid were provided, based on short-term strategic interests, with little consideration for the likelihood of sustainable development impact; not only did that aid have little impact but, in the long-run, it has not contributed to our national interests either. Under the DFA, USAID has eliminated almost all development assistance to these

countries because they are considered poor performers. Instead, we have concentrated development resources in those countries where aid will have the greatest impact.

Currently, USAID has sustainable development programs in about twenty countries in Africa. Within this broad grouping, the majority of bilateral development assistance is concentrated in a dozen countries, based on the conclusions of the PBB assessments. Although these countries are at various stages of economic development and political transition, USAID and the Department of State have concluded that: their governments are fundamentally committed to sound development policies and strategies; they have or are working towards democratically-elected governments; and they have the potential for broad-based, sustainable development. Countries which are undertaking economic reform are showing stronger growth than African countries on average; for example, Ghana, Uganda and Tanzania have had real GDP per capita increases of at least 2% annually the last three years. And the benefits of development are more likely to be broadly shared in those countries pursuing democratic systems of government.

It is not an easy task "picking winners", given the host of severe economic, political and social constraints which most African countries face. The recent military coup in The Gambia -- a country with a democracy since Independence and a government strongly committed to sound economic policies -- was a sobering reminder that even the best of performers can have set-backs. At this point in time, the countries exhibiting the greatest potential for combined economic and political success are: Ghana, Uganda, Malawi, Tanzania, South Africa, Mali, Benin, Zambia, Zimbabwe, Madagascar, Mozambique and Ethiopia. The U.S. has increased significantly bilateral aid levels to most of these countries (as shown in the graph below) in response to economic and political changes which create a more positive environment for sustainable development.

Based on the Africa Bureau's performance-based budget allocation system, within the proposed FY 96 budget, 64 percent of bilateral DFA funds are concentrated in these best performers.



Not only is aid increased to reward positive change, but USAID has reduced or capped aid levels when a government falters on economic or political reforms. For example, the U.S. significantly cut aid to Malawi in FY 93 because the former regime stifled all democratic expression and human rights abuses were increasing. USAID also withheld aid to Zambia during FY 94 because of corruption in high offices. These actions, taken in concert with other donors at Consultative Group meetings, leveraged positive change: Malawi held free and fair multiparty elections, and the accused Zambian officials resigned under pressure. On the other hand, DFA aid to Kenya was reduced in FY 92 because of concerns about lack of respect for democratic freedoms and human rights, and it has been straight-lined since because of lack of substantial improvement. In the most severe cases, such as Togo and Cameroon, USAID closed field offices, and we are providing no new bilateral assistance because the host country was deemed a poor development partner.

African Participation and Ownership. A key principle of the DFA legislation, which has been reinforced by the Administration, is the importance of African participation and ownership. This is critical both to maximizing the impact of our assistance and to ensuring the sustainability of our development investments. As a consequence of viewing Africans as development partners rather than beneficiaries, USAID is doing business differently. We are aggressively soliciting a wide range of Africans and non-governmental organizations to participate in the design, implementation and evaluation of our country strategies and activities. This was a key element in developing USAID's new Initiative for Southern Africa and the Greater Horn of Africa Initiative. We are also pushing other donors to increasingly use the vast capacity of African talent in development of the continent.

The democratic changes in Africa provide fertile ground for linking the desires and efforts of both donors and African peoples to promote greater participation in development and strengthen African civil society. Both African non-governmental organizations (NGOs) and U.S. private voluntary organizations (PVOs) play a major role in design and implementing USAID-funded programs; their active participation in all aspects of our work helps ensure that our interventions are focussed on the most critical development constraints and enhances the sustainability of our investments.

Donor Coordination. The United States is not the largest donor to Africa, but we are clearly one of the most influential. The U.S. is the fifth largest donor (behind France, the European Community, the World Bank and Germany), providing about five percent of official donor assistance (ODA). However, in large part because of our in-country presence, the U.S. provides intellectual leadership within the donor community, and we commonly play a catalytic role in focussing resources on critical constraints to sustainable development: in the 1980s, unleashing private sector-led growth was an American innovation; and, in the 1990s, promoting participation and democratization have been American-inspired tenets of sustainable development. In addition to these ground-breaking initiatives, the U.S. has been the dominant donor in Africa in a number of areas, including family planning, basic education, the environment, and HIV/AIDS control and prevention.

USAID coordinates with other donors through a number of fora:

- o World Bank-led Consultative Group (CG) meetings;
- o UNDP-led Roundtables;
- o the Special Program of Assistance for Africa (SPA);
- o the Global Coalition for Africa (GCA);
- o Africa-wide sectoral fora (eg. Special Program for African Agricultural Research, Donors in African Education), and;
- o formal and informal coordination mechanisms at the country level.

These coordination mechanisms enable the U.S. to: influence the aid policies and programs of other donors; avoid duplication of assistance efforts; enhance the effectiveness of our aid; and leverage policy change from African governments. For example:

- o Under the SPA, USAID has worked with other donors to untie aid to the poorest countries in Africa; simplify procurement regulations; standardize donor accounting and auditing requirements; and improve African government budgeting and public accountability.
- o Among the major donors to Africa, USAID has taken the lead in strengthening African participation in the design and management of economic reform programs and in assessing the impact of political liberalization on economic reforms.
- o For SPA donors, USAID is also conducting studies on how to make adjustment programs more beneficial to the African poor and developing new ways to analyze and monitor poverty.
- o In the context of several recent CGs, the United States encouraged donors to take a united stand against government corruption and human rights abuses; in response to aid cuts, the African governments' practices improved markedly.

#### **BUT PROGRESS IS FRAGILE -- WE NEED TO STAY THE COURSE.**

Africa is at a crossroads in its history and development -- both politically and economically. Progress, while encouraging, is still fragile. The United States can make a difference through our development assistance program. If we maintain our commitment to a broad, integrated assistance strategy that redresses the root causes of Africa's underdevelopment, we can help prevent more countries from becoming a Rwanda or a Somalia, and we can help develop more countries like Ghana or Uganda. The proposed assistance program to Africa is a sound investment -- in improving the lives of millions of Africans, in strengthening our own economic future, and in bettering the world we will leave our children and grandchildren.

## ANGOLA

FY 1996 Economic Support Funds Request (Country in Transition) . . . . . \$10,000,000

Angola is a large, mineral rich country of approximately 10.5 million inhabitants strategically situated along the Atlantic coast in southwestern Africa. It is roughly the size of Texas, California and Florida combined. Under more normal circumstances, the country's mineral wealth, combined with foreign private investment and a modicum of development assistance from donors, would permit sufficient economic growth to generate a steady increase in the standard of living of its citizens. Unfortunately, circumstances have been far from normal. War has ravaged Angola since the mid 1960s. In September 1994 the United Nations estimated the total number of Angolans affected by civil unrest and drought at 3,664,000. In addition, there were over 300,000 Angolan refugees in neighboring countries.

It is in the national interest of the United States to support activities that will bring lasting peace and prosperity to Angola. Until a durable peace accord is implemented, the Government of Angola (GOA) will not be able to commit the energy and resources necessary to meet the massive humanitarian needs of its people, stimulate the national economy or develop fledgling democratic institutions. U.S. commercial opportunities will lag and the current security threat to existing U.S. petroleum facilities will continue. USAID's development assistance program to Angola began in 1992. It was suspended in 1993 due to a deterioration in security conditions and subsequently terminated in 1994. USAID continued to provide humanitarian and emergency relief to Angola on a major scale through its Office of Foreign Disaster Assistance (OFDA). Last year alone, for example, the United States provided \$89.9 million in emergency relief assistance that was directly associated with the latest hostilities.

Despite the endemic warfare, U.S. oil companies have continued to invest in Angola's petroleum pumping, refining and storage facilities. Cumulative U.S. investments in oil extraction there are now estimated at about \$2.5 billion. Annual exports of Angolan petroleum products to the United States in recent years have ranged between \$1.7 billion and \$2.3 billion. Other valuable minerals available for commercial exploitation once civil strife ceases definitively include diamonds, iron ore, manganese and copper. In addition, Angola possesses large tracts of land suitable for agricultural and livestock production, vast forests, rich coastal fishing grounds and considerable hydroelectric energy potential.

#### The Development Challenge.

While oil exports currently generate sufficient revenues to provide the country with a per capita income of about \$600, most indicators of social and economic performance rank Angola among the poorest countries in the world. The relatively low performance ranking is largely explained by three factors: (a) incessant warfare, which has made life in the countryside too insecure for agricultural production and transport, required heavy military expenditures, and destroyed a substantial part of the economic and physical infrastructure; (b) severe human resources constraints, due to a massive exodus of Portuguese settlers at independence and resulting skill shortages that the country has not been able to replace; and (c) highly inefficient economic management with excessive reliance on central planning and pervasive administrative controls.

As a consequence of these factors, Angola, which was formerly an important net exporter of agricultural products, has become increasingly dependent on food imports (and food aid) to supply its urban markets and camps for the displaced. There are severe shortages of essential consumer goods and services throughout the country. Marketing infrastructure and rural trading systems have been devastated. There is a shortage of trained personnel in all sectors. The concentration of war-displaced populations in various rural and urban fringe areas is a contributing factor to environmental degradation.

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

With the recent signing of the Lusaka Accords, peace seems to be possible. Until peace becomes a reality, however, the GOA will not be able to commit the energy and resources required to meet the massive needs of a citizenry too long deprived of the most basic necessities.

#### **Strategic Objectives (SOs).**

A USAID/State Department mission visited Angola in December 1994 to begin formulating an integrated strategy for future U.S. assistance to Angola. One of the team's conclusions is that emergency humanitarian programs will likely remain the primary element of U.S. assistance to Angola during 1995. Angola is one of three USAID country programs designated to support countries in transition. USAID is reviewing plans for a transition program consisting of the two activities described below. The basic approach will be one of "wait and see." As the Lusaka peace process advances, OFDA will initiate \$3 - \$4 million in grants to non-government organizations (NGOs) for services to housing areas for demobilized troops. In addition, USAID's Office of Transition Initiatives (OTI) would be authorized to commit a total of \$3 - \$4 million to technical support for the demobilization and reintegration process. Then, assuming continued progress in implementing the peace, there could be a \$10 - \$15 million per year development program, stretching over approximately five years.

#### **BUILDING DEMOCRACY (\$4,000,000).**

**SO 1. Promote Angola's transition from a wartime footing to a stable, peaceful and democratic society (\$4,000,000).**

Activities. One of the principal components of the transition process will be a democracy/governance program that would be carried out by U.S. NGOs such as the International Republican Institute and the National Democratic Institute to provide support for the National Assembly and training for trainers concerning the basic tenants of democracy, grass roots governance, and the functioning of free market economic systems. Included would be such basic themes as how to design and carry out free and fair elections at the local and district levels, installation of conflict resolution bodies at the local level to implement the policy of national reconciliation, training regarding the role of the press in monitoring and safeguarding basic human rights, constitutional guarantees concerning freedom of the press, the rights of free speech and assembly, enhancing the status of women, and so forth. In addition, recognized authorities would be sent to Angola to study and make recommendations on subjects such as the legal and regulatory system.

Establishing respect for the rule of law and human rights within the framework of a strong and participatory civil society will be another special concern. The role of an independent judiciary is considered to be key to progress in this area. Thus, funding would be employed for technical assistance to enhance the independence and professional quality of the judiciary, and for training in human rights and investigative techniques within the judiciary and Ministry of Justice. To assist the reform effort from the outside, a portion of this amount would be used for training and technical support to indigenous NGOs working to promote human rights and legal reform. An additional amount would support creation of a human rights ombudsman network throughout the country. The ombudsmen would serve as facilitators to ensure that human rights cases do not languish in the judicial

system. In addition, the policy of national reconciliation will require the extension of government administrative authority to areas previously under UNITA military control. The possibility of disputes and conflicts that could undermine the peace process is very real. Consequently, locally-based conflict resolution bodies established in conjunction with churches and local NGOs would provide much-needed mechanisms to defuse tensions and help Angola heal its wounds. Finally, some funding would promote a participatory civil society through enhancing the status of women by funding NGO projects to promote women's education and legal aid projects.

For the purpose of establishing a representative and accountable legislature, U.S. assistance is proposed for long-term institutional support for the National Assembly. Specifically, funds would provide technical assistance and training on a non-partisan basis to enhance the policy analysis and legislative skills of parliamentarians, to instruct members of Parliament on the role of parties and on coalition-building, and to develop effective parliamentary committees.

Indicators. As the proposed project has not yet been designed, indicators have not been developed. For the follow-on democracy/governance/free market initiatives, potential measures of performance would include the number of Angolan parliamentarians participating in invitational tours of the U.S. and state legislatures, the number of trainers trained in democratic/free market concepts, the number and variety of studies conducted on the judicial and regulatory system and the nature and extent of report recommendations enacted into the legal and regulatory framework, together with an assessment of the potential impact. Objectively verifiable indicators for a stronger, more independent judiciary could include the courts' successful pursuit of human rights and official corruption cases. NGOs and churches taking a stronger role in administering conflict resolution bodies at the local level, together with a measurable decrease in violent conflicts are measures that could be employed to measure the success of local conflict resolution accompanying the extension of the national government into former opposition territories. The increase in attendance of school age girls in the public school system would be one possible measure of the success of programs focused on enhancing the status of women.

Feasibility and Cost-effectiveness. Similar activities have been successfully carried out elsewhere, most notably in nearby Mozambique, another Lusophone country with a similar post independence background and cultural heritage. The costs would be considerably less than the relief assistance currently being provided to a much larger number of displaced persons and refugees, whose levels would decline precipitously should the peace process continue to the point where demobilization becomes a reality.

Progress in 1993-1994. Activities proposed are still in the design stage.

Donor Coordination. PVOs from the UK and Norway, together with others from Italy, Portugal and the United States would manage the programs designed to reintegrate the ex-combatants into society.

Constraints. While the peace process outlined in the Lusaka Accords has continued to move forward, suspicion and disagreements between the opposing factions could delay or even derail the momentum achieved thus far. At present, for example, continued progress needs to be demonstrated in strengthening the ceasefire, resolving outstanding military issues and permitting UN military observers to verify and monitor the peace. Appreciable anti-democratic and statist economic management is still present in Angolan society and may resist reforms in these areas.

## **ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$6,000,000).**

### **SO 2. Assist with the rehabilitation, stabilization and growth of the Angolan economy (\$6,000,000).**

After three decades of incessant warfare, the economic and social infrastructure has been devastated. However, in many instances, the clearing of land mines and the rehabilitation of infrastructure appears to be a relatively rapid and cost effective alternative for getting the economy and basic public services,

such as rural health care, moving again. In Mozambique, for example, rehabilitation of basic infrastructure such as roads and bridges has resulted in the rapid resumption of economic activity. In some cases, annual economic growth has mushroomed as high as 20% per year there.

In addition, the GOA has recognized the seriousness of its economic problems for some time, but chose not to attempt sweeping reform in the midst of the civil war. Management of the economy was typically on a short-term emergency basis. The appointment of a market-oriented economic reform team by the GOA late in 1994 indicates an awareness of the need for reform.

However, a structural adjustment program for Angola will almost certainly require a commitment on the part of the GOA to sustainable, broad-based, market-oriented economic development in which the private sector plays a key role. The program would require both the continuous support of the country's leading politicians together with the technical capacity to collect and analyze the necessary data and formulate appropriate economic policies. Such a capability currently does not exist in Angola. The country has neither the analytic capability nor the information base upon which to formulate the appropriate policy alternatives. Nonetheless, the economic reform process has begun already as demonstrated by the sharp reduction in inflation from 1,800% in 1993 to an estimated 700% in 1994.

Activities. Resources would be devoted to short-term economic stability efforts concentrated on the four provinces most adversely affected by the civil war -- Uige, Malange, Bie and Huambo. This assistance would dovetail with U.N. plans for demobilization and reintegration of former combatants and the repatriation of Angola's displaced and refugee populations. Through an umbrella grant, support will be provided for revitalizing communities devastated by the war and allowing renewed economic activities in these once prosperous areas. In addition, support will also be provided to promote more transparent and sound Angolan Government economic policy decisions based on sustainable, broad-based, market oriented principles. Specific initiatives would include training and advisory support for key economic ministries and the development of a credible economic data base.

While the details of the economic management support project need to be worked out, the basic program would be as follows. First, senior economic advisors would be placed within key GOA economic ministries such as planning, finance, agriculture, trade and the central bank to help formulate a realistic economic structural adjustment reform program to move Angola along the path from emergency relief to rehabilitation assistance to sustained growth. Training for Angolans would also be an important part of the program. Second, to address the problem of the lack of a basic "core" of economic data/information for decision making, the project would fund statisticians and analysts to work with the GOA to develop the capacity and then proceed to gather economic data series as the initial step in the creation of an adequate data base. Third, the project would also fund studies to provide the necessary information to help the GOA to assess the alternatives available for making the economic policy decisions that are required.

Related Activities. Throughout 1995, OFDA's overriding mission will be to address Angola's critical, life-threatening needs through its health and feeding programs. OFDA will also continue to play a leadership role in pressing for improved management of international resources, a reduction of dependency on emergency relief, and a conversion to rehabilitation and recovery activities as appropriate, based upon the timing and pace of implementation of economic stabilization and structural reforms once it is apparent that a lasting peace acceptable to all major warring factions is a reality.

It is proposed that a joint undertaking involving OTI, the State Department, and the Department of Defense be conducted to support NGOs and United Nations (UN) programs for clearing minefields. Such an effort would build on recent progress achieved by three international NGOs in clearing minefields and a newly created UN agency in building indigenous capacity to clear the remaining minefields. This effort will allow donors to achieve a highly favorable economic impact in a relatively short period of time. Prompt clearance and destruction of the remaining mines will quickly alleviate the profound constraint that they impose on virtually all facets of life in Angola, including freedom of

movement, trade, agricultural production, the delivery of humanitarian relief, and the deployment of UN observers and peacekeepers.

Indicators. As the proposed project has not yet been designed, indicators have not been developed. For rehabilitation activities, selective indicators could include measures of the extent to which health and agricultural distribution and extension services had been restored. Illustrative examples of indicators for economic planning and data collecting activities are short and long-term training plans developed; participants selected and placed in training programs; seminars and workshops held; appropriately designated data series being collected and weighted/interpreted as required; number of policy studies conducted; and number of statisticians and analysts hired to work for various offices of the GOA. Ultimately, the quality and soundness of the GOA's economic policies and structural adjustment reforms adopted will depend directly upon the project's activities.

Feasibility and Cost-effectiveness. The proposed approach is feasible and extremely cost-effective. The United States alone contributed almost \$89.9 million in humanitarian assistance to Angola in FY 1994. U.S. humanitarian assistance is expected to remain at this level during FY 1995. The proposed development program is estimated at \$10 million per year, or a relatively small fraction of the current assistance level. The U.S. and other donor programs have the potential to eventually eliminate the need for humanitarian assistance.

Progress in 1993-1994. No development assistance program was in place.

Donor Coordination. The United Nations has established the Central Mine Action Office to oversee the clearing of the estimated 9-20 million land mines still active in Angola. The U.N.'s International Children's Emergency Fund and High Commission for Refugees, together with NGOs from the United Kingdom and Norway, are actively supporting this program. The UN has developed an ambitious demobilization and reintegration plan as part of a humanitarian relief program. The World Bank is also contemplating an emergency infrastructure rehabilitation project to be implemented over the 1995-1997 period.

Constraints. The success of a sustainable development program in Angola will depend upon a lasting peace, including a program of combatant demobilization and reintegration, a vigorous program of rehabilitation, and an economic environment conducive to economic recovery and growth.

#### **Other Donor Resource Flows.**

In 1993 the largest donors to Angola were the United Nations World Food Program (\$57.4 million), the United States (\$54 million), the European Development Fund (\$45.6 million), Italy (\$34.5 million), Portugal (\$23.9 million) and France (\$18.5 million).

**ANGOLA**  
**FY 1996 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Total
<b>USAID Strategic Objectives</b>					
1. Provide assistance for the demobilization and reintegration of the warring factions into the economy.					
Economic Support Fund	--	--	--	4,000,000	4,000,000
2. Assist GOA with the rehabilitation and stabilization of the economy.					
Economic Support Fund	6,000,000	--	--	--	6,000,000
<b>Total</b>	<b>6,000,000</b>	<b>--</b>	<b>--</b>	<b>4,000,000</b>	<b>10,000,000</b>

USAID/W AFR/SA Office Director: Joseph Goodwin

## BENIN

FY 1996 Development Fund for Africa Request ..... \$17,132,173  
 FY 1996 P.L. 480 Title II Request ..... \$1,963,000

Benin is one of Africa's least developed nations, primarily because of its limited natural resources and poorly developed infrastructure. Benin is, however, a model for other African nations because of its recent peaceful transition from a Marxist-oriented political system to a civilian-led, multi-party democracy. The sustainability of this young democracy depends heavily on the efforts of USAID. U.S. assistance to Benin supports U.S. interests in promoting democratic governance in this extremely fragile economic and political region of Africa.

#### The Development Challenge.

The development challenge for Benin's population of five million is a large one. The nation's poor economic and social status is a direct result of past political instability and ill-advised economic policies and political systems. Per capita Gross Domestic Product (GDP) is \$410 (as measured before the January 1994 West African franc devaluation), but the population fares far worse on the United Nations Human Development Indicator Scale than the GDP level indicates. Life expectancy is 51 years. Although declining, fertility, population growth, infant mortality and illiteracy rates are high. Population growth is 3.4% annually, infant mortality is 112 deaths per 1,000 live births and the illiteracy rate hovers around 77%. The prevalence of Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome (HIV/AIDS) is presently 1% among general, low-risk populations, 15-30% among high-risk populations and steadily increasing in both areas.

With the return of social and political stability in 1991 and the institution of a five-year structural reform program, the Beninese economy has begun to recover. Real GDP increased by 4.7% in 1991 and by 4.3% both in 1992 and 1993. Inflation was held to 3.4% on average in 1993, and the budget deficit decreased to approximately 4.3% of GDP. Education levels, for girls and boys, have been showing strong increases with USAID assistance and the percentage of the national budget geared towards primary education has increased from 11% in 1992 to 14.1% in 1993. The upcoming legislative elections in February 1995 and subsequent presidential elections in 1996 will function as important indicators of Benin's progress in the areas of democracy and governance.

#### Strategic Objectives (SOs).

Currently, USAID is pursuing one strategic objective in Benin. The program also consists of activities in training, and democracy and governance.

**ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$13,709,458 including cross-cutting human relations development of \$900,000).**

**SO 1. Assist in ensuring that an increasing number of primary school-age children receive, on a more equitable basis, an education which adequately prepares them for a productive role in society (\$12,809,458).**

Benin's poor primary education system is a major constraint to the country's economic development. During the previous Marxist regime, the educational system collapsed because the government lacked the budget resources to finance national goals, resulting in non-payment of teachers' salaries, declining enrollment and commodity shortages. By emphasizing administrative and financial management and promoting public sector accountability and transparency, USAID is having a direct effect on governance and participation while improving the primary education sector.

**Activities.** Education sector activities strive to establish and maintain sufficient financing for primary education by realigning national budget allocations to favor the sector. The Children's Learning and Equity Foundations (CLEF) Program employs policy dialogue to encourage the government to devote a higher percentage of the national budget to teacher salaries and additional resources to non-salary expenditures heretofore neglected such as: curriculum development, teacher retraining and commodity provisions. Additionally, under a grant to a U.S. private voluntary organization (PVO), USAID supports capacity-building within local non-governmental organizations (NGOs) in the education sector. Local NGOs specializing in education establish cooperative partnerships with U.S. PVOs, involving larger segments of the Beninese community in the education sector reform process. USAID-supported initiatives will continue to improve institutional capacity for planning and management, upgrade pedagogical systems, increase access for all primary school-age children and promote public participation in primary education.

**Indicators.** USAID indicators for measuring progress towards achieving this objective are: increased percentage of the national budget devoted to primary education - from 11% to 16% in 1995, and increased annual expenditures per student for learning materials from zero at the beginning of the program to \$5; (2) reduced national repetition rates from over 27% in 1990 to approximately 15% by 1998, and reduced drop-out rates from 26% to 10% by 1999; (3) increased number of qualified teachers from 2,000 to 8,800 (63%) by 1995 and to 15,545 by 1998; and (4) increased gross school enrollments by almost double from 1989 to 1999, to 78%.

**Feasibility and Cost-effectiveness.** If Benin is to successfully transform its economy into one that is market-oriented, competitive and private-sector driven, it must quickly upgrade its human resource base and its labor force productivity. In addition, Benin's transition to democracy requires an electorate which is sufficiently informed to exercise its freedom, choices, and responsibilities of oversight. While such impacts are hard to measure and reforms difficult, Benin's National Conference mandated that the newly established government include education reform, especially primary education, among its highest priorities. In addition to the employment and positive economic effects of improving quality and access to primary education, Benin's reform effort and USAID's programs aim to improve basic internal efficiencies of the system. Because of the poor teaching and learning environment, drop-out rates and repeat rates are responsible for the system's need to finance 26 student years of education for each primary school diploma. Cutting that rate in half would reduce per pupil costs of education significantly and more importantly, open the system up to twice as many children. Most of those beneficiaries would be girls.

**Progress in 1993-1994.** The Government of Benin (GOB) continues to commit a significantly higher allocation of non-salary financing to primary education, and has adopted a conceptual framework designed to focus attention on the entire learning environment of the child as its central planning mechanism. The GOB has established a baseline and is using its Management Information System (MIS) as a basis for outlining Ministry goals to the public, and specifically parents. Gross enrollment continues to increase and Ministry statistics demonstrate that significant achievements have been made in improving equity of access for girls. Enrollment rates, 52% in 1990, exceeded 63% in 1993. In 1993-94, 18% more girls enrolled in the first grade than in the previous two years, bringing total girls' enrollment up to 38% from 33%. The number of students passing the primary leaver exam rose to 60% from 39%.

**Donor Coordination.** With respect to the achievement of this SO, donor coordination has been difficult. The World Bank developed an education sector adjustment program in 1992, which it later cancelled and replaced with a smaller project. USAID then expanded its program to incorporate the planning, budgetary, financial and personnel elements intended for the Bank's original program. Bilateral donors tend to work in separate focus areas. Under this SO, USAID plays a large and singular role in one of the primary focus areas of French technical assistance. USAID concentrates its efforts on primary education, while the French focus assistance in the areas of secondary and higher education.

**Constraints.** Timely financial disbursements and proper management are threatened by the lack of financial and administrative management skills in the GOB, two areas in which USAID is focusing assistance. USAID-sponsored training in these areas provides greater transparency and accountability to GOB operations.

**Cross-cutting Issues.**

**STABILIZING POPULATION GROWTH (\$3,350,715).**

USAID will help expand the delivery and increase the quality of integrated mother and child health care and family planning services in both the public and private sectors. Human development activities will include technical assistance, commodities and information, education and communication and training. USAID will also assist the GOB in defining policy concerns and finance family planning initiatives developed in conjunction with the Ministry of Health.

**BUILDING DEMOCRACY (\$72,000).**

In addition to the activities discussed above, USAID provides assistance for democracy and governance activities in Benin. USAID supports electoral activities and training, as well as the development of a strong institutional grouping of NGOs dedicated to democratic ideals and increased participation in the political structure. In 1993-94, under a grant to a U.S. PVO, workshops and meetings on policy questions and NGO advocacy were held, support and training to NGO federations and groupings were provided and umbrella grants were provided to 2-3 U.S. PVOs to work with local NGOs on capacity-building initiatives. Next, NGOs, with USAID assistance, will implement responsive grassroots self-help activities and serve as intermediary organizations in channeling and processing community-level social demands. The strengthening of NGOs thus promotes sustainable development and serves to consolidate democracy. With USAID's help, the number of functioning, competent and representative NGOs will increase by 30 by 1999 and at least 30% of Benin's adult population will be directly involved in some part of the NGO movement.

**HUMAN RESOURCES DEVELOPMENT (\$900,000).**

Through two training projects, USAID provides in-country, third-country and U.S.-based educational training to public and private local organizations and individuals. Educational training activities support secondary and higher educational goals and encourage continuing education and/or training at all levels of leadership and management. USAID taps into local teaching/training capacity and marshals local talent to reach larger numbers of beneficiaries. Training areas include the development of leadership, management and technical capabilities, decision-making skills, and outreach to the informal sector and emerging businesses.

**PROVIDING HUMANITARIAN ASSISTANCE (\$1,963,000).**

P.L. 480 Title II development aid is provided by Catholic Relief Services in Benin. Under this program, food security indicators have shown clear positive progress over the past several years. Maternal/child health programs promote the health and well-being of 52,000 women and children. School Feeding targets increased attendance for 7,000 rural children, and direct distribution exists for 4,000 socially disadvantaged people.

**Other Donor Resource Flows.**

In FY 1993, the United States was the fourth largest donor to Benin, providing 3.8% of all donor contributions. Other major donors included Japan, the African Development Bank Fund, the European Development Fund, and the International Development Association.

**BENIN**  
**FY 1996 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	Total
USAID Strategic Objectives						
1. Strengthen and Improve Primary Education	12,809,458	--	--	--	--	12,809,458
Cross-cutting Issues:						
Population/Health	--	3,350,715	--	--	--	3,350,715
Democracy/Governance	--	--	--	72,000	--	72,000
Human Resources Dev.	900,000	--	--	--	--	900,000
P.L. 480, Title II	--	--	--	--	1,963,000	1,963,000
<b>Total</b>	<b>13,709,458</b>	<b>3,350,715</b>	<b>--</b>	<b>72,000</b>	<b>1,963,000</b>	<b>19,095,173</b>

USAID Representative: Thomas F. Cornell

**BURUNDI**

**FY 1996 Development Fund for Africa Request: . . . . . \$4,812,500**

Burundi's development has been set back by its political and ethnic problems. With 5.8 million people, a per capita income of \$210, and an economy based largely on subsistence agriculture, Burundi is among the poorest and most densely populated countries in Africa. Its political/ethnic tensions, overpopulation, limited resource base and its near-total reliance on coffee exports for foreign-exchange earnings significantly impede economic growth and improvements in its standard of living. Before the October 1993 crisis engendered by the attempted coup by Tutsi soldiers, and the assassination of the country's first democratically-elected Hutu president, Burundi was largely self-sufficient in food production, although land pressures and deteriorating soil were having an increasingly negative impact on protein intake and per-capita food production. It is in the interest of the United States to prevent Burundi from continuing this downward spiral and to assist the country in becoming self-sufficient again by continuing development assistance in order to reduce the humanitarian relief budget spent for Burundi. The development budget requested for FY 1996 is \$4 million compared to the \$62 million spent for humanitarian relief needs in Burundi for FY 1994 and the humanitarian food assistance of \$120 million projected for the Rwanda/Burundi region in FY 1995. Crisis prevention would reduce the ultimate relief costs and provide the support needed to restore stability in Burundi and ultimately in the region.

**The Development Challenge.**

Since October 1993, continued civil unrest and ethnic conflict have resulted in low food supplies, a drop in exports and industrial output, an increase in business failures and retrenchments, and sharp decreases in social indicators such as school attendance, infant mortality and unemployment. The Gross Domestic Product fell by nearly 6% in 1993 and a greater decline was expected in 1994, despite increased coffee prices on the world market.

The crisis in Rwanda (which is located immediately north of Burundi) has only exacerbated Burundi's problems; Burundi and Rwanda share similar ethnic and cultural characteristics and tensions. The massacres of Tutsis in Rwanda have emboldened hardliners from the former government in Burundi, mainly Tutsis, not to relinquish power to the democratically-elected, predominantly Hutu government. This has paralyzed the government, added to the insecurity, and further dampened economic output. However, late in 1994, the contending ethnic groups reached a political accommodation. While fragile, that accommodation currently remains in force.

**Strategic Objectives (SOs).**

The fragile political and security situation has mandated that the strategic objectives of the Burundi program be changed to deal with the events of the last year. Restoration of peace and stability must precede economic development. USAID's development assistance program will focus on humanitarian and democracy and governance activities. As part of the focus, and USAID plans to concentrate its efforts on the transition toward self-sufficiency by assisting in micro-enterprise development. USAID will also continue to maintain limited activities in the areas of population/health and AIDS prevention, and be prepared to support other programs that may emerge as part of a broader U.S. response to the crisis in the sub-region.

**BUILDING DEMOCRACY (#1,751,925).****SO 1. Enhance Democracy and Governance (#1,751,925).**

The need to promote democracy and governance as a primary strategic objective is irrefutable given Burundi's recent history. The assassination of the first elected President of Burundi, Melchior Ndadaye,

on October 21, 1993, was followed by a period of ethnic violence and military reprisals. The untimely death of his successor led to a second period of instability. These events have set back the democratic reform process and the emerging political consensus painstakingly put in place over the past five years. The seemingly successful transfer of power from a military dictatorship to a representative democracy has been undone by the violence following the assassinations and exacerbated by the tensions resulting from the wholesale massacre of the minority ethnic group in Rwanda. During this period, the constitutional reforms strengthening democracy and human rights have largely been eroded as extremists of both major ethnic groups hampered new power-sharing arrangements. As a result of arduous negotiations, 12 of the 13 political parties have agreed to divide senior government positions, with 55% for the majority parties and 45% for the opposition parties.

Activities. The obvious first step in recreating a political consensus and minimal social harmony is to promote dialogue and the greater participation and representation of the population who desire the return of political, social and economic stability. Greater participation of the economically disadvantaged majority, while protecting the rights of the traditionally powerful minority, are the key objectives. The international community, led by the United Nations Special Representative of the Secretary General (UNSRSG), has served as mediator with the ethnic groups, initiating dialogue in an effort to prevent carnage similar to that which took place in Rwanda, while at the same time promoting democracy. Primarily through its Democracy/Governance Project, USAID has provided assistance to indigenous, U.S., and international institutions for activities to continue to promote dialogue and strengthen the voice of the moderate silent majority. These include grants to the Office of the SRSR, the National Democratic Institute (NDI), the United Nations High Commission for Human Rights, United States Information Service and others. USAID programs have significantly increased the level of dialogue and the role of civic societies and groups in the consensus building process which, in turn, have contributed to the continued fragile peace.

Indicators. USAID indicators for measuring progress toward achieving this objective are: (1) an increase in dialogue among diverse groups; and, (2) an increase in popular participation and representation in government.

Feasibility and Cost-effectiveness. The ultimate feasibility of the multi-donor and international diplomatic effort to promote consensus and prevent "another Rwanda" is far from guaranteed. The history of Burundi suggests that civil peace is fragile and a Rwandan-type catastrophe could be set off by any number of events. Nevertheless, the intense efforts of the USAID program in concert with the UNSRSG and other international organizations has played the major role in maintaining a tenuous stability since October 1993. If this peace solidifies and if consensus begins to be developed, it will be largely due to these efforts. The \$5 million earmarked for development programs in FY 1995 is a small fraction of the cost for humanitarian assistance and an even smaller fraction of the likely costs for peace keeping operations.

Progress in 1993-1994. Despite the events in neighboring Rwanda, the sudden death of its President, a shattered economy and many other set-backs, Burundi has not exploded. Slow and difficult progress is being made to create a stable government and reduce the level of ethnic tension. In October 1994 a power sharing arrangement was reached and has been maintained between the various political factions. The Government has resumed its functions and economic activity is resuming, albeit with much difficulty.

USAID has played a major role in this process through its programs which have promoted dialogue and reconciliation and has supported and strengthened the role of the moderate political and civic elements in society. USAID has played a significant role in developing what is hoped will eventually be a "critical mass" of moderate civic leaders through its programs with NDI, the UNSRSG, the United Nations High Commission for Human Rights, and many other local and international organizations.

Donor Coordination. While USAID is the leading donor in the area of democracy and governance, it works hand-in-hand with several other active donors and international organizations. In fact, USAID provides funding for some of these organizations' activities to promote dialogue and reconciliation. These include the UNSRSG, which, with USAID funds, has played the leading role in keeping Burundi stable; the United Nations High Commission for Human Rights, United Nations Children's Fund (UNICEF), the World Bank, European Community, Germany, France and Belgium.

Constraints. Burundi's immediate and most severe constraint remains the unstable political situation. Despite progress made, there is still a high level of distrust and fear between the two major ethnic groups (Hutus and Tutsis) and the two major political parties. Extremism amongst the parties and ethnic groups as well as a partisan military are further contributors to this instability.

#### ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$2,669,775).

SO 2. Relieve human suffering caused by civil unrest, ethnic violence, and an abusive military regime (\$2,669,775).

Delivery of humanitarian assistance to people affected by the crisis in Burundi and the region has been the primary objective of the USAID Mission. The affected population (those in direct need of emergency assistance) has varied from 1.5 to 2.5 million, depending on the political situation in Rwanda and Burundi. These include the internally displaced Burundians; those in camps, those dispersed in the hills and valleys who fear coming to the camps, and those who fled to Rwanda and then had to return; and Rwandan refugees dating back to the Habyarimana regime in the 1960s as well as newer refugees after the victory of the Rwandan Patriotic Front. The immediate needs of these people remain food, water, shelter, sanitation and protection from the spread of disease. During the past year, food production declined by over 40% causing a food deficit of 183,000 metric tons. Tens of thousands of homes and acres of productive land and forests were destroyed. Most of Burundi's 230 primary health care clinics were destroyed or made inoperable because of losses - including loss of personnel. Overcrowded camp conditions, particularly at the onset of the crisis, created a ripe environment for the spread of dysentery and other diseases.

Activities. During 1994, the U.S. provided approximately \$62 million in emergency humanitarian assistance to Burundi in the form of grants to non-governmental organizations (NGOs) and international organizations to help meet these immediate needs. USAID, with the assistance of the Disaster Assistance Response Team, set-up systems to monitor needs of the affected population and implementation of emergency relief activities. The primary sources of funding have been the USAID's Offices of Foreign Disaster Assistance, and Food for Peace, the Department of Defense (for airlifts), and USAID/Burundi's own bilateral projects. Major grants were made to the World Food Program to provide emergency food relief; the Adventist Development Relief Association, and the Catholic Relief Services (CRS) and its local organization for food and material distribution; UNICEF, the International Committee for the Red Cross, and Doctors Without Borders for medicines and emergency medical/surgical services and; the Center for Disease Control for emergency programs to combat the spread of diseases.

USAID grants to CRS provided seeds and tools to needy farmers as part of the effort to encourage them to return to their homes. A grant to CRS helped to strengthen the long-term capacity of the local Catholic Relief Services (CARITAS) to assist in relief and development activities. USAID's grant to UNICEF helped the Health Ministry resume a program to provide medicines to rural areas. As part of the relief and rehabilitation efforts, the development program will establish staff and train health centers within the Ministry of Health.

Indicators. USAID indicators for measuring progress toward achieving this objective are to: (1) lower levels of incidents of violence; and, (2) increase economic output.

**Feasibility and Cost-effectiveness.** An evaluation conducted at the end of 1994 of the food distribution program funded by USAID found that the program was extremely effective with over 68,000 tons of food successfully distributed to the displaced and dispersed population with a minimum of loss or waste. Furthermore, USAID strengthened the effectiveness of local NGO organizations, primarily CARITAS, to effectively manage the food distribution for the entire at risk population in Burundi.

**Progress in 1993-1994.)** During this period, levels of production increased as most of the 900,000 dispersed peoples (mostly Hutus) returned to their farms and began productive activity. USAID played a major role in aiding this process by providing tools, seeds and other material to re-start agricultural activities. Unfortunately, many of the "displaced" population (primarily Tutsi) have remained in camps outside provincial centers because of fears for their security.

**Donor Coordination.** In the area of humanitarian assistance USAID has worked closely with major donors, the United Nations High Commission for Refugees, World Food Program, and the EC. USAID along the EC are the major contributors to the World Food Program for food assistance to Burundi. USAID has made major contributions in health, sanitation, and shelter through its programs with International Committee of the Red Cross, Doctors Without Borders, and other international organizations.

**Constraints.** As noted above in SO 1, Burundi's immediate and most severe constraint remains the unstable political situation. Despite progress made, there remains a high level of distrust and fear between the two major ethnic groups and the two major political parties. Extremism amongst the parties and ethnic groups as well as a partisan military are further contributors to this instability.

#### **Cross-cutting Issues:**

#### **STABILIZING POPULATION GROWTH (\$1,500).**

Burundi has the second highest population density in Africa. Stabilizing the population growth rate was a strategic objective of USAID's development strategy until the 1993/1994 crisis made the promotion of democracy and governance a country priority. As stability returns, USAID will reengage in family planning activities in Burundi in FY 1996.

#### **PROTECTING THE ENVIRONMENT (\$389,300).**

Ongoing activities will take place as it relates to environmental protection in agriculture research.

#### **Other Donor Resource Flows.**

In FY 1993, the United States provided about 9% of all donor assistance to Burundi. Other major donors are: Belgium, the IDA, France, and Germany.

**BURUNDI  
FY 1996 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Humanitarian Assistance	Total
<b>USAID Strategic Objectives</b>						
1. Enhance Democracy and Governance.	--	--	--	1,751,925	--	1,751,925
2. Relieve Human Suffering from Civil Unrest, Violence, and Abusive Military Regime.	2,669,775	--	--	--	--	2,669,775
<b>Cross-cutting issues:</b>						
Family Planning	--	1,500	--	--	--	1,500
Environmental Protection	--	--	389,300	--	--	389,300
<b>Total</b>	<b>2,669,775</b>	<b>1,500</b>	<b>389,300</b>	<b>1,751,925</b>	<b>--</b>	<b>4,812,500</b>

USAID Mission Director: Myron Golden

## CENTRAL AFRICAN REPUBLIC

1996 Development Fund for Africa Request: ..... \$2,902,000

The Central African Republic (C.A.R.) is a landlocked and sparsely populated country of approximately three million people. The majority of the inhabitants practice traditional subsistence agriculture. Social services, especially health care, are inadequate. A democratically elected government, installed in late 1993, is attempting to address the country's basic social needs.

U. S. assistance to C.A.R. is based on political and humanitarian considerations. Spreading democratic values and bolstering newly democratic states is a key U.S. foreign policy objective. Having successfully completed the transition to multi-party democracy, C.A.R. serves as an example to other African countries attempting to democratize. C.A.R. is a stable ally for the United States in a troubled region. Given its central geographic position, the country provides a staging point for military and relief operations (such as in the Rwanda case in 1994) and serves as a secure refueling stop for U.S. aircraft. Shared scientific data from a seismic station in C.A.R. is important for U.S. scientific programs and foreign policy goals.

#### The Development Challenge

C.A.R. is one of the poorest countries in the world, with a per capita income of only \$380. Economic structural reforms begun in 1992, in cooperation with international donors, had little success because of unfavorable world economic trends and corruption and mismanagement under the previous military government. Sweeping public and private strikes between 1991-1993 over the issues of salary arrears and the pace of political reform further decimated the economy. In the fall of 1993, a peaceful transition to democracy was completed when Ange-Felix Patasse was elected in free, fair and transparent multiparty elections. In its first year, the Patasse government has strengthened civil institutions, maintained respect for human rights, and begun a stringent economic revitalization effort.

Although gains have been made, the country's health care infrastructure was devastated by years of neglect under military rule. Children under five years of age, who make up 20% of the population, suffer the most from lack of adequate health care. Human Immunodeficiency Virus/Acquired Immune-Deficiency Syndrome (HIV/AIDS) and sexually transmitted diseases are present in C.A.R. at alarmingly high rates and are rapidly eroding any positive gains made in child survival programs.

#### Strategic Objective (SO).

Consistent with the Africa Bureau's Small Country Strategy, USAID supports one strategic objective.

#### ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$2,820,000)

##### SO. Reduce infant and child mortality and the incidence of HIV/AIDS (\$2,820,000)

Consistent with USAID's overall strategy of protecting human health by strengthening the delivery of primary health care services and reducing the incidence of HIV/AIDS infections, an activity is being implemented to increase the availability, accessibility, and use of improved health care and HIV/AIDS services.

Activities. The Sustainable Child Survival Project, which began in late FY 1992, seeks to reduce the incidence of infant and child mortality and AIDS in the Central African Republic, while increasing the accessibility of health services. Under this five-year project USAID will improve the delivery of primary health care through cost effective child survival technologies and cost recovery. Also, a condom

marketing program and improved services for treatment of sexually transmitted diseases are being implemented to combat HIV/AIDS.

**Indicators.** USAID indicators for measuring progress towards achieving this objective are: (1) reduced infant and child mortality rate, other than from HIV/AIDS, by 10% in 1996, and by at least five percent in the remotest health region; (2) stabilized HIV/AIDS transmission rates or reduced transmission rates by five percent in targeted areas; and (3) cost-recovery systems functioning effectively at national, regional, and county hospitals, and in the process of being introduced in at least 15% of the local health centers. Approximately 1,000,000 people will benefit from these services in 1996.

**Feasibility and Cost-effectiveness.** Prior activities under the USAID's regionally-funded Combating Childhood Communicable Diseases project in C.A.R. was highly successful in increasing the accessibility to quality primary health care services and in strengthening the national capacity to sustain the delivery of these services. A major element of the success was the strong commitment and leadership found in the government's Ministry of Health. Building on this successful model, the current approach provides for grants to U.S.-based public and private health organizations having prior relevant child survival and HIV/AIDS control experience in Africa.

**Progress in 1993-1994.** Accomplishments under the Sustainable Child Survival project include: (a) two fee-for-service clinics for sexually transmitted diseases (STDs) and HIV/AIDS have been established and are operating using revised treatment programs (60% of the case load is female); (b) there has been a 40% cost reduction noted for STD treatment for early treatment cases; (c) concentration efforts in immunization activities produced 51% complete immunization coverage for children age 12-23 months in spite of a general public strike during the last year which greatly reduced health service provision; (d) 71% of women with children under the age of 12 months received some degree of prenatal care; (e) 48% of live births were protected against neonatal tetanus; (f) 70% of women indicated a willingness to pay for immunization service; and (g) a potential measles epidemic was avoided through concentrated immunization activities. Two and a half million condoms have been distributed during the first 18 months of the project. Based on this incredibly strong demand for condoms, the project will increase its projected requirements of 3.5 million condoms over the four-year, life-of-project to 12,000,000.

**Donor Coordination.** There is close coordination with the United Nations Children's Fund, World Health Organization, Germany and Japan on matters concerning child survival and HIV/AIDS.

**Constraints.** A major constraint is the limited capacity of the newly elected government to implement proposed reforms in the health sector.

**Cross-cutting Issue:**

#### **BUILDING DEMOCRACY (\$82,000)**

As a cross-cutting issue, USAID will continue to provide assistance for democracy and governance activities. USAID assistance has moved beyond electoral support to training the nascent National Assembly to increase its effectiveness which will enhance the prospects for consolidation of democratic governance. New activities will also support and further develop the civic education efforts of human rights, civic and women's groups.

**Other Donor Resource Flows.**

France provided over 50% of donor assistance to C.A.R. in 1993. Others include Japan, Germany, the World Bank and the European Union. The United States provided approximately 2% of donor aid in 1993.

**CENTRAL AFRICAN REPUBLIC  
FY 1996 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Total
<b>USAID Strategic Objectives</b>					
1. Reduce Infant & Child Mortality and Incidence of HIV/AIDS.	2,820,000	--	--	--	2,820,000
<b>Cross-cutting issue:</b>					
Democracy/Governance	--	--	--	82,000	82,000
<b>Total</b>	<b>2,820,000</b>	<b>--</b>	<b>--</b>	<b>82,000</b>	<b>2,902,000</b>

USAID/W AFR/WA Office Director: Lucretia Taylor

## CONGO

**FY 1996 Development Fund for Africa Request: . . . . . \$1,069,300**

The Congo, with a population of approximately two million people and a per capita income of less than \$600, is blessed with an abundant agricultural and forestry potential. However, only 2% of arable land is currently cultivated, primarily by subsistence farmers. Also, vast expanses of moist tropical forest regions are experiencing an accelerating trend of deforestation and unsustainable natural resource use. United States assistance to Congo supports U.S. interests in advancing sound environmental protection policies related to biodiversity and global climate changes in ecosystems of importance, limiting the worldwide spread of the HIV/AIDS virus and promoting economic and political stability in this troubled region.

**The Development Challenges.**

Freely elected in 1992, President Pascal Lissouba's young democracy was severely tried in 1993 and early 1994 by violent civil unrest. Political and ethnic turmoil has slowed the adoption of necessary measures to implement strict structural adjustment measures and free-market economic policies.

Environmentally, Northern Congo contains vast forest regions which are part of the second largest contiguous expanse of moist, tropical forest in the world. This region is home to forest elephants, lowland gorillas and other endangered species. Uncontrolled destruction of this forest area is a significant factor in the decline of these species as well as increased global greenhouse emissions.

The Government of Congo, one of the countries in the so-called Central African "Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome Belt", has identified AIDS as a serious public health problem with grave humanitarian, demographic, economic and social implications. Latest available data estimates of prevalence range from 9% to 17.5% for the population.

**Strategic Objective (SO).**

Consistent with the Africa Bureau's Small Country Strategy, USAID's program supports a single strategic objective. In FY 1996, USAID's earlier activities in protecting the environment will become part of a regional Congo Basin environmental activity and a new SO to address HIV/AIDS will be developed.

**ENCOURAGING ECONOMIC GROWTH (\$1,020,725).**

**SO 1. Reduce HIV/AIDS (\$1,024,300, of which \$1,020,725 is for Economic Growth and \$ 3,575 is for Stabilizing Population Growth).**

AIDS and sexually-transmitted diseases are present in Congo at alarming levels, and are among the highest in Africa. High prevalence of sexually-transmitted diseases and the lack of condom use have increased the likelihood of sexual transmission. HIV/AIDS is rapidly becoming a leading cause of death for children under five years of age, as it has already become for young adults. Currently, estimates are that 9% to 17% of the population are infected. Interventions undertaken through the proposed project will increase the availability and use of HIV/AIDS prevention products through a social marketing approach.

**Activities.** In order to reduce the spread of sexually transmitted diseases and the HIV/AIDS virus, USAID will support activities which will create a demand for and market nationally affordable condoms, especially in high risk areas.

**Indicators.** Anticipated indicators for measuring progress are: (1) At least 4,000,000 condoms marketed nationally over the five-year period 1996-2001, (2) increased awareness and acceptability of condoms among target groups, (3) increased availability of these products through pharmacies and other commercial outlets, and (4) increased overall demand for and use of the products.

**Feasibility and Cost-effectiveness.** In 1985, the Government of the Congo was one of the first sub-Saharan African governments to acknowledge openly the serious nature of the HIV/AIDS epidemic. It remains strongly committed to combatting HIV/AIDS and has endorsed the condom social marketing approach, which has been proven to be a cost-effective intervention in other African countries for the prevention and control of HIV/AIDS.

**Progress in 1993-1994.** This Activity is scheduled to begin in late FY 1996.

**Donor Coordination.** It is important to note that Brazzaville, Congo currently serves as a regional center for Africa for various international health organizations through which Africa-wide policies and guidelines related to HIV/AIDS and other important public health issues are established. It is anticipated that close coordination will be established with these organizations.

**Constraints.** Renewed civil and military instability could be a principal constraint. However, democratic consolidation efforts are providing a stronger foundation for a more stable civil society.

**Cross-cutting Issue.**

#### **BUILDING DEMOCRACY (\$65,000).**

As a cross-cutting issue, USAID will continue to provide assistance for democracy and governance activities. USAID assistance has moved beyond electoral support to training the nascent National Assembly to increase its effectiveness, which will enhance the prospects for the consolidation of democratic governance. New activities will also support and further develop the civic education efforts of human rights, civic, and women's groups.

#### **PROTECTING THE ENVIRONMENT - Conserving Congo Basin Forests and Wildlife**

The Conservation of Northern Forest (CNF) project will end in FY 1996. However, it is anticipated that its activities will be incorporated into a regional effort focussed on the conservation of the Congo Basin rain forest region and reduced global greenhouse emissions. The CNF project, which began in FY 1991, is implemented by a U.S. nongovernmental organization, the Wildlife Conservation Society (WCS), whose assistance focuses on the conservation of the tropical forest of northern Congo. WCS, working with the Ministry of Forest Economy, has introduced environmentally sound forest management and conservation practices aimed at preserving the natural resource base. A project milestone was reached in 1994, when the Congolese President officially decreed Nouabale-Ndoki as a national park, the country's first to be established since independence from France in 1960. Other results include: collection of forestry data and wood samples (some 700-800 years old); initial studies and surveys of the forest elephant population and migration patterns, flora and bird species; establishment of research and base camps within and adjacent to the park; installation of transport infrastructure which includes reopening, by hand, of a 32 kilometer access road to the park; assignment of Congolese counterpart personnel and trainees; and a framework for international cooperation relating to the development of the Nouabale-Ndoki Park project.

#### **Other Donor Resources Flows.**

In 1993, France provided 75% of the donor resources to Congo; German assistance accounted for 10% and the United States provided slightly more than 1%.

**CONGO**  
**FY 1996 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Total
USAID Strategic Objectives					
1. Reduce HIV/AIDS	1,020,725	3,575	--	--	1,024,300
Cross-cutting issue:					
Democracy/Governance	--	--	--	85,000	85,000
<b>Total</b>	<b>1,020,725</b>	<b>3,575</b>	<b>--</b>	<b>85,000</b>	<b>1,089,300</b>

USAID/W AFR/WA Office Director: Lucretia Taylor

## ERITREA

FY 1996 Development Fund for Africa Request .....	\$ 9,623,604
FY 1996 P.L. 480 Title II Request .....	\$4,060,000

Eritrea is Africa's newest independent country, having formally achieved its independence from Ethiopia in May 1993. Three decades of fighting to achieve that independence have left Eritreans with a devastated infrastructure, but a strong commitment to rebuild their country economically and politically. Evidence of this dedication abounds. Among Eritrea's economic recovery goals are complete rehabilitation of the strategic port facility at Massawa (one of very few in the region); rebuilding the railway system; and the transition to a market economy. Among the political goals are development of a democratic constitution; and, one of the most delicate issues in the region, demobilization and reintegration of ex-combatants. Eritrea is a solid example of an emerging civil society and self-reliant determination. U.S. assistance to Eritrea supports U.S. interests by promoting economic recovery and growth, and democratic governance to underpin national stability in an historically volatile region. Eritrea's two deep water ports and shipping lanes in the Red Sea are of strategic importance in the Mideast and Horn of Africa regional contexts, and are principal life lines for humanitarian assistance to the Horn region where this past year, famine threatened 25 million people.

#### The Development Challenge.

Eritrea's severe poverty has been exacerbated by decades of war. By African standards, Eritrea's health and nutrition indicators are poor. Infant mortality is 135 deaths per 1,000 and under-five mortality is 203 deaths per 1,000. Life expectancy is approximately 46 years. Population growth rates of 2.7% to 3% are high. Eritreans suffer from preventable diseases such as malaria, diarrhea and acute respiratory infections. Compounding these problems, health facilities are damaged or non-existent in many areas. Most Eritreans depend on agriculture for their survival, but Eritrea's location in the erratic Sahelian rainfall zone makes food security a paramount concern. Food security in Eritrea is also constrained by a lack of processing facilities and marketing systems, and poor transportation infrastructure.

Potential for rapid rehabilitation and development in Eritrea is high. The country was once the most industrialized in Africa and has the legacy of a hard-working labor force and good public and private management. Its location at the crossroad of the Middle East and Africa is advantageous to trade. Eritreans are united in their commitment to rebuild their country. A careful steward of limited resources, the Government of Eritrea (GOE) is committed to the principles of an open-market economy and has made impressive progress in this area. Recognizing that a healthy, productive population is its strongest resource, the GOE has entered into partnership with USAID to strengthen the health sector and increase access to basic health services. With USAID assistance, the GOE is also taking steps to address two of the most sensitive issues in the region, the transition from military to civilian rule and the demobilization of ex-combatants and their families.

#### Strategic Objectives (SOs).

USAID is focusing on the priority area of encouraging broad-based economic growth. Increasing the use of primary health-care and family planning is the principal initiative in support of economic growth. Additional economic policy and capacity building, demobilization, and refugee reintegration activities also support broad-based economic growth. A democracy and governance activity will begin in FY 1995. In addition, an upcoming analysis of the food security situation will help define a second SO in support of the achievement of food security.

**ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$ 7,072,802)**

**SO 1. Increased use of enhanced primary health-care and family planning services (\$ 3,232,802 of which \$459,000 is for Stabilizing Population Growth).**

To rekindle Eritrea's economic development and promote broad-based growth, it is essential to raise the physical well-being and productivity of Eritrea's population. Eritrean women and children suffer from high morbidity and mortality rates due to preventable causes such as diarrheal diseases, malaria, acute respiratory infections and closely-spaced pregnancies. Contraceptive prevalence is less than 1%, and the total fertility rate is 6.8 children per woman. Without family planning, Eritrea's population will double in 23 years.

The existing health-care delivery system cannot address these problems due to a dearth of trained personnel and a severely damaged and deteriorated infrastructure. By strengthening the core set of health-care management systems (e.g. financial controls and planning, supervision, and training), and by selected infrastructure improvement, effective health-care delivery can be achieved and sustained. By improving the health profile of its population, Eritrea strengthens its most valuable resource and enhances its economic development.

**Activities.** Funds for health-care and family planning activities were first obligated in September 1994. Therefore, activities described below are in early stages. Improvements in health-care delivery will be achieved by increasing availability and access, quality, and awareness and demand. Availability of and access to health-care will be expanded through training health-care personnel at all levels; creating opportunities for greater private sector participation; and infrastructure improvements. The quality of health-care will be improved through modernizing the training offered at health-care training schools; developing standardized protocols for laboratory tests and treatments; improving supervision; and upgrading laboratories. The awareness of and demand for essential health and family planning services will be based on improvements in the Ministry of Health and the Family Planning Association of Eritrea and selected health-oriented non-governmental organizations (NGOs); community outreach programs; and targeted programs to educate policy makers and opinion leaders about health and population issues.

**Related Activities.** USAID's specialized assistance for the GOE's demobilization efforts also supports this SO. Those ex-combatants who served in paramedical capacities are being trained with the aim of upgrading their skills to both meet the need for better trained health-care personnel and to provide employment opportunities for ex-combatants.

All public and private sector planning in Eritrea is constrained by the almost total lack of information. Under this SO, USAID will contribute to the information base through supporting the development of a health information system, which includes conducting the first nationwide demographic health and nutrition survey.

**Indicators.** USAID indicators for measuring progress toward achieving this objective are a: (1) decrease in maternal, infant and child mortality rates; and a (2) decrease in the fertility rate. Numerical goals will be set based on initial data to be gathered during the first year of the program.

**Feasibility and Cost-effectiveness.** In order to expand the economy, Eritrea must have a reliable pool of workers with access to basic health-care services. Over the next five years, the activities described under the SO will assist in the rehabilitation of the health-care delivery system. The SO will also support the development of cost recovery mechanisms and increased participation of health-care oriented NGOs and the private sector in order to augment the resources and services of the public sector.

**Progress in 1993-1994.** Funds were obligated under this SO in September 1994. Progress has been limited to logistical start-up activities.

**Donor Coordination.** USAID has initiated dialogue with other donors in the health sector and has involved a number of them, including UNICEF, in the design of activities. Many donors are currently shifting from ad hoc emergency assistance to formulating development assistance programs. USAID's is the first major health sector bilateral activity in Eritrea. Interest shown by other donors augurs well for additional donor investment in the sector.

**Constraints.** A steadily growing economy is needed for Eritrea to meet the recurrent costs of a health-care system over the long run. Eritrea's relatively open and diversified economy, compared to other Sub-Saharan African countries, expanded by nearly seven percent in 1991 and 1992. However, poor agricultural performance slowed output growth in 1992/1993, delaying the ability of the GOE to fully assume its recurrent cost burdens.

#### **Cross-cutting Issues.**

**Economic Policy and Capacity Building (\$1,500,000).** The GOE is embarking on an ambitious economic reform program, transforming it from a state-controlled economy to one dominated by the private sector. USAID provides technical assistance, commodities and training in areas such as privatization, public sector enterprise, establishment of a financial sector and transition to a democratically elected government.

**Food Security (\$2,360,000 of which \$2,340,000 is for Economic Growth and \$20,000 is for Protecting the Environment).** Food insecurity has been identified as perhaps the greatest challenge facing the countries of the Greater Horn of Africa, of which Eritrea is a member. Food insecurity is both a cause and effect of economic and political instability in the region. The Greater Horn of Africa Initiative (GHAII) has been undertaken to deal with the issue of food security on a regional basis. The goal of the GHAII will be to build an enabling environment in which the population of the region will be able to achieve continuous food security with diminishing donor assistance. The GOE views food security as one of its key objectives in the agricultural sector. USAID plans to conduct an analysis of food security in Eritrea. Among the topics to be considered in the analysis are the constraints to food security and the environmental impact of food insecurity. The analysis will guide development of a second strategic objective. This strategic objective will focus on improvements in food security.

#### **PROVIDING HUMANITARIAN ASSISTANCE (\$4,060,000).**

P.L. 480 Title II resources will continue to address food security issues with a focus on food for work activities which will contribute to the critical area of infrastructure development.

#### **BUILDING DEMOCRACY (\$ 2,071,802).**

In addition to the activities described above, USAID will support democratic governance and popular participation in five areas: developing a democratic constitution; strengthening local government capacity to create an enabling environment for popular participation; supporting civic education; creating the foundations for educational public media and independent private media; and improving the capacity of local courts to administer justice fairly and competently.

#### **Other Donor Resource Flows.**

In 1993, the United States provided approximately 5% of all bilateral assistance provided to Eritrea. Leading bilateral donors are Italy, Germany, Sweden, Denmark and Norway.

ERITREA  
FY 1996 PROGRAM SUMMARY

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Total
<b>USAID Strategic Objectives</b>					
<b>1. Increased Health-care and Family Planning Services</b>	3,232,802	459,000	--	--	3,691,802
<b>Cross-cutting Issues:</b>					
<b>Democratic/Governance</b>	--	--	--	2,071,802	2,071,802
<b>Economic Policy and Capacity Building</b>	1,500,000	--	--	--	1,500,000
<b>Food Security</b>	2,340,000	--	20,000	--	2,360,000
<b>P.L. 480, Title II</b>	--	--	--	--	4,060,000
<b>Total</b>	7,072,802	459,000	20,000	2,071,802	13,683,604

## ETHIOPIA

FY 1996 Development Fund for Africa Request: .....	\$36,070,282
FY 1996 Development Assistance Fund Request: .....	\$5,017,000
FY 1996 P.L. 480 Title II Request: .....	\$32,353,000
FY 1996 P.L. 480 Title III Request: .....	\$34,000,000

With a per capita gross domestic product of \$120 per year, Ethiopia is the second poorest nation in the world. However, Ethiopia is of significant post-Cold war importance to the United States. With a population of 54 million, location in the center of the Horn of Africa and proximity to the Red Sea shipping lanes, Ethiopia is potentially a major regional center of political and economic importance. After almost a generation of civil war and a brutal, Marxist dictatorship under Mengistu Haile Mariam, the Transitional Government of Ethiopia (TGE) has been making steady, if hesitant, progress toward establishing a market economy and a democratic government. If Ethiopia can make this transition successfully, it could become a model of peace and stability in a historically troubled region. Ethiopia is also a bulwark against the increasing problems of violent, Islamic fundamentalism in Sudan and Somalia. As a result of famine and civil strife, Ethiopia has been a perennial recipient of massive amounts of humanitarian assistance. From 1984 to 1991, the U.S. Government provided approximately a billion dollars in humanitarian assistance. Although this assistance saved millions of lives in Ethiopia, it did little to prevent the crisis from recurring. Because of these factors, Ethiopia is critical to the success of the President's Initiative on the Greater Horn of Africa (GHA). The TGE has been helpful to U.S. Government policy objectives in the region and has offered to play a leadership role in the GHA. The United States enjoys a growing trade surplus with Ethiopia. In 1992, U.S. goods accounted for approximately 20% of Ethiopia's imports. Ethiopia could become an important African market for U.S. goods as it develops.

#### The Development Challenge.

The process of transforming Ethiopia is made difficult by widespread poverty, the historical lack of democratic traditions, and weak or non-existent infrastructure. Social indicators are among the worst in the world, and in many instances, worse now than 20 years ago as result of the previous government. Over half of Ethiopia's population lives in abject poverty. In urban areas, most of the population lives below the poverty line and a third are the "poorest of the poor." With domestic calorie availability of 1500-1600 per person per day, (measured against the World Health Organization recommended daily minimum intake of 2300), Ethiopia has severe malnutrition with approximately 60% of all children under five chronically undernourished. For the first time in a generation, the United States and other donors have an opportunity to help Ethiopia achieve sustainable economic development and a level of food security that will reduce the need for continuing outside emergency assistance.

#### Strategic Objectives (SOs).

USAID is pursuing four strategic objectives in the areas of food security, health and population, basic education and building democracy. Given Ethiopia's chronic food insecurity, USAID will help ensure the prompt provision of humanitarian assistance as needed.

**ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$64,018,474 including \$27,903,000 DFA, \$2,115,000 DAF and \$34,000,000 P.L. 480 Title III).**

**SO 1. Increased availability of staple foods with emphasis on domestic production (\$9,202,900 of which \$6,954,000 is for Economic Growth and \$2,248,900 is for Protecting the Environment).**

Eighty-five percent of the population in Ethiopia is rural and dependent on small-scale agriculture. While having some of the most productive farmland in East Africa, the country consistently suffers

from major food shortfalls, even in years of good harvest. Low productivity and the need for significant food-aid imports resulted from the former government's Marxist policies, which imposed complete state control over the agriculture sector. As a result, Ethiopia's agricultural production is unable to keep up with the population growth rate. In addition, many Ethiopians cannot afford what food is available. With free market incentives for production, Ethiopia can move towards producing more food which is less expensive.

**Activities.** From FY 1992-1994, USAID promoted food security by focusing on accelerating policy reforms necessary for increasing agricultural productivity and free-market operations by eliminating government monopolies in production and marketing activities. Support focused on increasing supply and access to fertilizer and eliminating major transport disincentives. The P.L. 480 Title III program provided agricultural commodities to develop a targeted food safety-net program to meet the needs of Ethiopia's vulnerable population, promoted a greater role for the private sector in agricultural trade and increased productivity through the expanded utilization of industrial capacity. A new program will directly confront food-production constraints and aims to encourage farmers to increase production and productivity. This will (1) increase incomes of farmers; (2) improve household food security of both producers and consumers; and (3) begin to reduce the massive national food deficit. The program will finance extension of farm interventions and information that can enhance productivity, relying primarily on existing technology, agricultural research and extension findings. The program will also support efforts to re-establish and strengthen agricultural and microenterprise information collection and analysis capability.

USAID will encourage sustainable agricultural production through the Food System Development project with both project and non-project assistance. The primary objective will be to assist Ethiopia to feed itself using agricultural and resource management practices that prevent further environmental degradation. Support for the development of a rural banking system related to production credit and financing for micro-enterprises will also be explored.

**Indicators.** Indicators for measuring progress are: (1) increased availability of fertilizer; (2) reduced government regulation and intervention in transport and commodity production, marketing and distribution; (3) increased production of major cereals and pulses by 6% by 1998 in the focus region; and (4) increased access to major cereals and pulses in food deficit areas.

**Feasibility and Cost-effectiveness.** Despite its agricultural resource base, Ethiopia has one of the lowest agricultural yields in Africa. Cereal, pulses and oilseed yields are 50-75% lower than neighboring Kenya. USAID assistance in expanding the supply of fertilizer to Ethiopian farmers strikes at the heart of this low agricultural productivity. Increases in domestic production mean reductions in food-aid imports. For every additional bag of fertilizer used, farmers can get up to five bags of grain with associated rates of return of approximately 150%. In 1994, USAID provided \$12.5 million for fertilizer, more than half imported through the private sector. In addition, USAID efforts to improve and strengthen Ethiopian grain markets has meant that farmers have received better prices for their products, market margins have declined, the number of traders in the markets increased and long-term consumer prices have declined. Further work on market liberalization and strengthening government's role in market management could produce added benefits by eliminating the large and volatile consumer price spikes that adversely affect poor consumers.

**Progress in 1993-1994.** Progress has been made on fertilizer liberalization: fertilizer sales in 1994 rose to 183,000 metric tons (MT) from 105,000 MT the previous year. The major fertilizer parastatal has been restructured, thereby providing more opportunities for private sector wholesalers and retailers. Licensed fertilizer traders have increased from 114 in 1992 to 1,518 in 1994 and private sector imports of fertilizer have doubled between 1993 and 1994. The TGE has announced that fertilizer prices will be fully decontrolled by 1998. Most state monopolies on distribution and sales of commodities have been eliminated. To complement government withdrawal from subsidized food marketing, the TGE developed a safety net program to cushion possible short-term adverse effects of

reform on the poor. The safety net has benefitted an estimated 350,000 households and 35,000 retrenched workers and demobilized soldiers in 1993-94. The TGE also established an emergency food security reserve that non-governmental organizations (NGOs) can borrow against until donor food pledges arrive, ensuring that emergency food aid will get to the needy in time. The TGE has made some progress in liberalizing transport controls and opening up trucking to the private sector, with an increase in private freight forwarders from zero in 1992 to 26 in 1994.

**Donor Coordination.** USAID involvement in fertilizer imports and as a vocal actor on agricultural policy issues has quickly put USAID in a lead position among donors involved in agriculture. There are regular donor meetings involved in fertilizer provision and there are plans to constitute a donor forum on agriculture issues. Several major studies funded by USAID have received wide attention and established our technical staff as a reliable, well-informed source of information on the sector. The other major donors are the European Union, the World Bank and the Food and Agricultural Organization (FAO).

**Constraints.** Fertilizer demand in Ethiopia is likely to decrease in the short term in the face of sharply increased world market prices that would translate into a 60% increase in the cost of fertilizer to farmers. This will result in lower rates of agricultural production and continued needs for imported foods. The TGE faces the difficult choice of increasing subsidies on fertilizer or accepting lower production and increased food imports in the context of continuing high food deficits. In the transport sector, sluggish TGE actions on privatization of the state-owned long haul fleet has continued their exclusive position as rate setters in this important market segment, continuing to discourage private investment in long haul vehicles.

**SO 2. Key aspects of the rural health care delivery system rebuilt and re-oriented (\$15,724,614 of which \$9,564,000 is for Economic Growth and \$6,160,614 is for Stabilizing Population Growth).**

Ethiopia's health care is among the worst in the world, with fewer than 20% of Ethiopians having access to modern health care. At a current population growth rate of 3%, Ethiopia's population will exceed 145 million by 2025. The average woman will have seven children, and 23% of them will not survive past the age of five, due to a profound lack of access to primary and preventive care. By the year 2000, an estimated 1.4 million Ethiopians could be infected with HIV.

**Activities.** To date, activities have focused on support for the National AIDS Control Program (NACP), which has already expanded coverage significantly. A comprehensive health and population program is expected to start early in 1995. This program will focus on policy reforms to: (1) increase resources allocated to the health sector; (2) re-orient services more towards prevention of infant and child mortality; (3) institutionalize cost recovery and local financing; and (4) focus resources on community health care delivery, particularly on child survival. Project assistance will be concentrated in a focus region on: (1) a contraceptive social marketing program; (2) support to an indigenous NGO outreach family planning program; (3) strengthening the NACP; (4) developing and implementing a health care financing strategy and logistics management information system; (5) demographic and health surveys; and (6) enhanced rural health care service delivery to improve maternal and child health. Significant efforts are aimed at donor coordination, regional and central government programs, and nurturing partnerships with the NGO community.

**Indicators.** By the year 2000, (1) reduce infant, child and maternal mortality by 5% in the focus region; (2) increased use of family planning services as evidenced by contraceptive prevalence increases from 14% to 20% in urban areas and from 2% to 7% in the focus region; and (3) a 5% reduction in selected sexually transmitted diseases (STDs) in the focus region.

**Feasibility and Cost-effectiveness.** Cost-effectiveness of the program is positive, with preliminary analyses indicating low cost of family planning interventions at about \$19 per couple year of protection (CYP). Policies which concern decentralization and health care financing also contribute to increased

efficiencies and reduced per capita costs, which in turn improve the cost benefit of USAID's investment. Reductions in childhood mortality will respectively improve community productivity and increase the potential for production over the long term. Lowered trends in population growth will over time improve per capita income, reduce dependence on donor food aid and reduce government expenditure requirements on social services, thus realizing savings at the national level.

Progress in 1993-1994. The Support to AIDS Control project has expanded program coverage of the NACP since 1993. Nearly 20 million condoms have been sold in over 8,000 outlets and over two million condoms have been distributed free by the NACP. Four STD laboratories have been rehabilitated; 10 clinics have been refurbished; and Ethiopian NGOs have reached over 21,000 teenagers with education programs about prevention methods. A recent evaluation noted that there is clear evidence of improved public and private sector capacity to diagnose and manage STDs; that HIV/AIDS education efforts in schools are reaching key audiences; and that the condom social marketing program is increasing sales. USAID fostered the formation of an NGO consortium active in the provision of family planning and maternal and child health services.

Donor Coordination. USAID spearheaded the establishment of a health sector donor coordination group. The group has provided an effective mechanism for communication among donors and government representatives about activities and technical issues which directly relate to donor programs. USAID has been in the lead on issues such as health care financing, AIDS and family planning among NGOs. Since the sector is grossly underfinanced, USAID involvement is further justified by the direct link between improved health status and productivity.

Constraints. Although the TGE has increased the health sector budget, it continues to be underfinanced. Government policies are anchored in central control and hindered by poor rural distribution. Health care workers are ill-prepared and ill-equipped. High child mortality discourages the use of family planning services. Patient confidence has eroded to the point that patients do not seek care in existing facilities.

### SO 3. Quality and equity of primary education improved in an expanded system (\$13,500,474).

The educational system is not serving Ethiopia's future generations in terms of the quality of the education received and access to schools. Only 20% of the children are enrolled in primary school, with even lower rates for girls and rural children. Most of those who gain entry are denied any semblance of a quality education. It is estimated that significantly less than half of the adult population can read or write and the average education of the workforce is a mere 1.1 years. These distressing statistics place Ethiopia close to the bottom in terms of the quality of its human capital. It is certain that sustainable economic growth cannot be achieved without a much broader and stronger human resource base.

USAID assistance is aimed at helping the elementary school system deal in an effective and affordable way with the competing needs for rapid and equitable expansion and quality improvement. The returns to this assistance will not be rapid but will be significant and critical for Ethiopia. USAID involvement in rebuilding the primary level of education is essential to ensuring the establishment of a sound beginning point in a educational system seriously degraded as a result of 17 years of socialist abuse.

Activities. USAID assistance is being directed at increasing the quality and equity of learning and strengthening system financing and (decentralized) administration, both through interventions at the national level and within two focus regions. Targeted support will also be provided in these regions for improving the preparation of newly recruited primary school teachers, developing more relevant curricula, and providing more and better instructional materials to schools. National level support will be provided to aid in the implementation of needed policy reforms embodied in the recently enacted national education policy.

**Indicators.** Provisional indicators for measuring progress are: (1) a 15% increase in fourth grade completion rates; (2) a reduction of two years in the primary school average completion cycle; (3) a 13% increase in primary school enrollment; and (4) improved quality and equity profiles of schools and students.

**Feasibility and Cost-effectiveness.** The basic education program is in direct support of the TGE's new national education policy. USAID assistance will encourage and facilitate implementation of this policy and leverage additional donor and government resources for primary education. USAID support to the sector, planned at \$80 million over seven years, had been found, through an economic and financial modeling exercise to be cost-effective, yielding an internal rate of return of 40%, a result which proved robust due to its relative insensitivity to key assumptions on system growth and costs.

**Progress in FY 1993-1994.** This program started in September 1994 and initial implementation steps are underway. Strong working relationships have already been established with the local and national educational officials. Major reforms have been approved positively affecting teachers salaries and career structures, female entry rates at Teacher Training Institutes, and the primary teacher education program. Several more USAID-advocated reforms are being analyzed and readied for consideration by policy-makers, in some instances based on a computer model of the education sector developed through USAID support.

**Donor Coordination.** USAID has re-established itself as a leader among donors involved in the education sector. It was instrumental in establishing the Ethiopian Donors Group for Education and has become a major player in setting meeting agendas and articulating common donor positions on sector policy and strategy. These donor coordination meetings have become an important opportunity to share the results of critical studies, which have been carried out with USAID support. Due to this heightened role and vocal concern for system level change, USAID has been able to influence approaches being taken or considered by other donors active in the sector.

**Constraints.** A substantial number of schools were destroyed in the civil strife. Even with increased government resources going to education, the sector is seriously underfinanced. Low potential for off-farm employment, because of overall economic stagnation, has resulted in a perception that schooling is irrelevant to rural life. In addition, there is a lack of further educational opportunities beyond primary school.

**BUILDING DEMOCRACY (\$2,659,294 including \$2,459,294 DFA and \$200,000 DAF).**

**SO 4. Increased access to and participation in a conciliatory, democratic transition process (\$2,659,294).**

Ethiopia's prospects for stability and sustainable development hinge upon liberalizing Ethiopia's historically authoritarian mode of governance, an ambitious and risky process. Since 1992, the policy of the United States has been to accelerate, facilitate and encourage the development of institutions and processes which underpin democratic societies. Since the resumption of development assistance in FY 1992, the provision of this assistance has been clearly linked to continuing progress toward a democratic society.

**Activities.** USAID has provided assistance to the TGE in designing and adopting democratic policies and practices and to public and private institutions which could play roles in this transition. Support has been targeted to: (1) the organization and implementation of open national and regional elections; (2) the drafting of a new constitution; (3) judicial reform for the protection of human rights and the institutionalization of the rule of law; (4) the promotion of an independent and responsible media; and (5) the development of increased capacity for regional self-government. In 1994, support was specifically introduced for indigenous civic organizations.

**Indicators.** Emergence of an institutional basis for an increasingly democratic society.

**Feasibility and Cost-effectiveness.** Recent emphasis on democracy and governance by the U.S. Government as a necessary prerequisite to sustainable development makes the precise calculation of feasibility and cost effectiveness somewhat problematic. USAID has found that democracy and governance is an area that is much more costly in terms of personnel time and management intensity than in actual financial resources. But USAID believes that the relatively small investment in this area can have significant spillover effects in other areas of programmatic involvement. Through continued thoughtful and effective project management, effective monitoring and evaluation procedures, engaging appropriate partners in project implementation, and the continued ability to take advantage of targets of opportunity as they arise, project assistance in the democracy and governance area will have a positive long-term impact on Ethiopia.

**Progress in FY 1993-1994.** The project has been most active in the electoral, constitutional and judicial/human rights areas. A second nationwide election was held in June 1994, and in contrast with an election two years ago, this one received good marks on organization and administration. However, it suffered from a lack of participation by opposition groups, who continue to resist efforts at reconciliation. Civic education efforts linked to the election were an area of considerable success although much more remains to be done. Successful initial efforts are being expanded working through both external and indigenous NGOs. The process of drafting, holding nation-wide debates and reviews on a new constitution has been concluded and the Constituent Assembly elected this year has debated and approved the constitution which provides basic guarantees of democratic rights. Elections are now planned for May 1995 to elect representatives for a new national government. A wide range of technical and small-scale material assistance has been provided to improve the capacity and efficiency of the regional justice system.

**Donor Coordination.** A firm pattern of coordination and communication among the ambassadors of major countries represented in Ethiopia was established from the birth of the transition government. This has been institutionalized at the ambassadorial and technical levels, including the United Nations and World Bank. The U.S. Government plays an informal lead role in these donor groups.

**Constraints.** Ethiopia has no experience with democratic traditions and no tradition of political tolerance or legal opposition. Its history has been characterized by violence, suppression of differences, ethnic hatred, and a desire to concentrate power rather than share it. The Mengistu regime destroyed the institutions necessary for good governance, including the judiciary. There is little understanding of the concept of personal liberty which has resulted in human rights abuses. The TGE must rebuild these institutions, educate the populace on democratic values and address human rights abuses with limited resources and little experience. Further, it must create conditions favorable to democratic politics and the opposition must take the opportunities afforded.

#### PROVIDING HUMANITARIAN ASSISTANCE (\$32,353,000).

**Cross-Cutting Issue:** Emergency humanitarian assistance to Ethiopia's most vulnerable groups provided in a timely manner (\$32,353,000 of P.L. 480 Title II).

Ethiopia suffers from chronic food deficits that have in the past resulted in the deaths and displacement of millions of people as well as the loss of many of the poor's productive assets. From 1984 to 1991, humanitarian concerns led the U.S. Government to provide over a billion dollars in humanitarian assistance.

**Indicators.** USAID works to ensure: (1) a decrease in deaths due to starvation; (2) a decrease in loss of productive assets for the most vulnerable groups; and (3) a decrease in displacement of the population.

**Activities.** Since the resumption of development assistance in FY 1992, USAID has increasingly tried to integrate planning and implementation of relief and development assistance to Ethiopia. Steady progress has been made in programming and utilizing P.L. 480 Title II emergency and regular and Title III food aid programs. These programs support a portfolio of Food for Work, development, relief and food safety net activities. The ability of USAID to flexibly program Title III resources in 1994 was a major factor in our being able to assist the TGE avoid what could have been a major food crisis.

**Feasibility and Cost-effectiveness.** The television images of truck convoys crossing dusty Ethiopian mountain passes attest to the large-scale relief efforts which have been underway for the last decade. In that time, a substantial relief infrastructure was built up at a significant cost to donors. However, the value of that donor investment has been demonstrated in 1994 when one million MT of food aid (equal to what was shipped in 1984) was moved to drought-stricken populations and effectively prevented famine and mass migrations. Despite donor successes at moving food aid, Ethiopians still do not have an adequate caloric intake. While food intake needs to increase, relief efforts have managed to keep farmers on their land where they can benefit from development efforts intended to boost agricultural productivity. In 1994, the U.S. Government contributed 387,676 MT of food aid to help an estimated 6.7 million people, representing an expenditure of only \$17 per person. Given the scale of suffering seen in Ethiopia when relief has not come, USAID believes this cost is justified.

**Progress in FY 1993-1994.** Following the better than average harvest in 1993, Ethiopia faced a food shortfall of approximately 1 million MT in 1994. In contrast to the past two governments in Ethiopia, the current government has dealt with the situation openly and aggressively. While this shortfall is comparable to the great famine of 1984 to 1985, there were not a large number of deaths and very little displacement due to the timely and effective provision and distribution of food aid. The U.S. contribution was the largest single contribution and was key in both its timing and magnitude in avoiding major suffering. Projections for 1995 indicate there will be somewhat reduced shortfall and that it can be met with carryover stocks of food from 1994 and commitments already made by major donors.

**Donor Coordination.** Mechanisms and groups, developed over the past decade for coordination in planning and implementation of relief efforts, have been retained. These include monthly reporting on planned and accomplished commodity imports and distribution from a United Nations-assisted unit of the Government's Relief Commission. Inter-donor coordination is good, with the World Food Program taking a lead on coordination, with emphasis on the European Union and United States, who are consistently the largest donors.

**Constraints.** Even with increased agricultural production, Ethiopia will continue to have food deficits for years to come. While sufficient food assistance has been provided by the donor community in recent years, there are serious problems getting it out to those in need because of the inaccessibility of some deficit areas, as well as limited port and transport capacity. Internal transport is improving as trucking is deregulated and privatized, but the basic road structure is lacking. Port infrastructure in Eritrea and Djibouti, which Ethiopia must depend on, is also limited, poorly maintained and requires major new investments which are not currently available.

#### **Other Donor Resource Flows.**

USAID assistance accounted for approximately 12% of all donor assistance in Ethiopia in 1993. The largest donor in Ethiopia is the World Bank. Other donors include the United Nations agencies, such as the United Nations Development Program and the World Food Program, the African Development Bank, Germany, Great Britain, Sweden and Italy.

**ETHIOPIA  
FY 1996 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	Total
<b>USAID Strategic Objectives</b>						
<b>1. Increased Availability of Staple Foods with Emphasis on Domestic Production</b>						
Dev. Fund for Africa	6,714,000	--	2,248,900	--	--	8,962,900
Dev. Assistance Fund	240,000	--	--	--	--	240,000
<b>2. Key Aspects of the Rural Health Care Delivery System Re- built and Re-Oriented</b>						
Dev. Fund For Africa	8,089,000	3,458,614	--	--	--	11,547,614
Dev. Assistance Fund	1,475,000	2,702,000	--	--	--	4,177,000
<b>3. Quality and Equity of Primary Education Improved in an Expanded System</b>						
Dev. Fund For Africa	13,100,474	--	--	--	--	13,100,474
Dev Assistance Fund	400,000	--	--	--	--	400,000
<b>4. Increased Access to and Participation in a Conciliatory, Democratic Transition Process</b>						
Dev. Fund for Africa	--	--	--	2,459,294	--	2,459,294
Dev. Assistance Fund	--	--	--	200,000	--	200,000
<b>Cross-cutting issues:</b>						
P.L. 480 Title II	--	--	--	--	32,353,000	32,353,000
P.L. 480 Title III	34,000,000	--	--	--	--	34,000,000
<b>Total</b>	<b>64,018,474</b>	<b>6,160,614</b>	<b>2,248,900</b>	<b>2,659,294</b>	<b>32,353,000</b>	<b>107,440,282</b>

USAID Mission Director: Margaret P. Bonner

FY 1996 Development Fund for Africa Request: ..... \$1,841,046  
 FY 1996 P.L. 480 Title II Request: ..... \$2,088,000

On July 22, 1994 a military coup occurred in The Gambia, thereby reversing thirty years of elected rule. The new government formally announced its intention of maintaining its liberal macroeconomic framework, honoring its international debts, and continuing with its major development and adjustment programs. Due to the coup, the provisions of Section 508 of the FY 1994 Appropriations Act were invoked which required the cessation of direct assistance to the Government of The Gambia (GOTG). Prior to the coup, the United States considered The Gambia to be a model for democratic governance in the region. U.S. assistance to The Gambia supported U.S. interests in promoting market-based economic growth and protecting the environment. Under section 508, U.S. national interest justification is required to permit U.S. assistance through non-governmental organization (NGO) programs that address U.S. interests in The Gambia.

#### THE DEVELOPMENT CHALLENGE.

The Gambia's per capita income of \$330 ranks it among the low income countries of the world. Although the country's population of one million is small, the population density is already twice that of Senegal or Kenya. The natural resource base is rapidly deteriorating due to a high annual population growth rate of 4.1% and the steady decline in rainfall that has been prevalent throughout Sahelian Africa.

The GOTG began a successful structural adjustment program in 1985 which made significant progress towards creating a stable economic environment by instituting market-determined interest and exchange rates, removing agricultural subsidies, privatizing parastatals, decreasing the fiscal deficit and reducing inflation. However, a rapidly growing population and environmental degradation coupled with a lack of natural resources and a very low literacy rate (27%) have impeded economic growth and development. In addition, the economy has been hit with a series of external and internal shocks which have destroyed its reexport trade, horticultural trade, and tourist trade, the backbone of the formal economy and the primary sources for earning foreign exchange. Since The Gambia is dependent on imports for all of its flour and sugar, and for 70% of its rice requirements, the loss of those industries generating foreign exchange will seriously threaten the country's food security.

The military coup has exacerbated the development challenge. Business and general public confidence has plummeted, however, the economy has not shown drastic signs of decline, as yet. This is due to the simultaneous decline in both supply and demand since the coup. Over the longer term, the economy is expected to deteriorate more severely, should the situation continue on its present course. Therefore, by remaining engaged to promote the return to democracy, the established democratic backbone of The Gambia can be revived, thus averting a more severe crisis, that could spread regionally.

#### STRATEGIC OBJECTIVES (SOs).

USAID's strategy in The Gambia prior to the coup included two strategic objectives. The coup required the cessation of all direct assistance under these SOs. The NGO activities, now in the planning phase, will fall under one strategic objective and will include food aid support.

#### BUILDING DEMOCRACY (\$1,704,000).

SO 1. Promote the Return of a Democratically Elected Government (\$1,841,046, of which \$1,704,090 is for Building Democracy, \$32,956 is for Protecting the Environment, and \$104,000 for Economic Growth).

This strategic objective will support the programs of NGO's to educate and strengthen civil society through community-level training and enhance the institutional capacity of intermediary organizations and advocacy groups such as the media, educational institutions, rural community and farmer organizations, civic groups and business associations to broaden participation in local politics and national policy dialogue. Electoral assistance will also be provided, as required.

**Activities.** Under this strategic objective, activities will be designed to strengthen civil society through education at the community level with activities that increase the effectiveness of local organizations which represent the interests of Gambians. Under the proposed activities, USAID will support the programs of NGO's whose activities: (1) enhance understanding of democracy and good governance; (2) promote local participation and civic responsibility in community decision making; (3) train key individuals and groups which support local initiatives to encourage the return of democratic rule; and (4) facilitate communication for civil society building, and networking and action research for community development and related developmental issues.

Program beneficiaries will include adults and youth especially in rural areas, community leaders and NGO staff. Women and girls will be especially targeted as beneficiaries, through concentrated attention on grassroots organizations that address women's concerns and problems.

This program includes the following components:

- Civic Education - A technical consulting facility will provide development communication services to U.S. private voluntary organizations (PVO's) represented in The Gambia; indigenous non-governmental organizations (NGO's) including community organizations; and U.S. Peace Corps Volunteers and their counterparts. Services include preparing programs which address weaknesses in civil society and developing educational materials that explain the linkages between a strong civil society and development problems, such as centralized government decision making, rapid population growth and family health.
- Community Grants - Small grants will help community clubs and organizations develop community education messages about governance, civic rights and responsibilities; facilitate the transfer of knowledge; and conduct activities to get Gambians more actively engaged in grassroots democracy.
- Strengthening Local Organizations - Grants will be made to: (1) community grassroots organizations; and (2) intermediary organizations which represent Gambians' interests such as advocacy groups, and cooperative organizations and professional associations.
- Electoral Assistance - Assistance will focus on voter education and community level dialogue, in the short-term.
- Assistance for U.S. Peace Corps/The Gambia - Funds will be transferred to the U.S. Peace Corps to train PCV's and their counterpart teachers and community leaders to sponsor small community development projects.

**Related Activities.** In support of the democracy program, USAID will utilize the services provided by the Africa Bureau regional, cross-cutting programs to promote economic growth and environmental protection, during this period of transition back to democracy. This is particularly important because of the increased strain the economy presently faces.

**Indicators.** Progress toward achieving the objective will be measured by increases in: (1) the number of NGO's participating in civil society building educational programs; (2) the capability of civil society to manage their own affairs with less reliance on the state, as evidenced by self-sufficiency criteria to be developed; and (3) the number of indigenous, non-governmental organizations (NGOs) that activate their own programs to promote the return to democracy.

**Feasibility and Cost-effectiveness.** The Gambia needs to return to an elected democracy, in order to restore public confidence and to continue on its development course. Without this, the hopes of maintaining and building on the impressive past development gains are slim. The recent decision by the Gambian Government to return to democratic rule by June of 1996 is a positive sign of the feasibility of this plan of action. The costs of not pursuing a return to democracy are great when weighed against the cost of humanitarian assistance, should the situation deteriorate and spread beyond Gambian borders.

**Donor Coordination.** USAID coordinates closely with the German aid agency, the United Nations Development Program (UNDP), the World Bank, the International Fund for Agricultural Development and the European Community which have programs in government reform, environment, sustainable agriculture and natural resources management, that can be used to leverage actions toward faster return to democracy. USAID will collaborate with the UNDP and other donors to develop a multi-donor democracy and governance program that will include electoral assistance and human rights assistance, civic education and judicial reform support. USAID will also assist other donors such as the UNDP prepare functional literacy materials, particularly those related to civil society strengthening.

**Constraints.** The situation in The Gambia risks deterioration, because of the young, inexperienced military leaders. This change in leadership is likely to lead to an erosion of the open economic policies of the former regime, although to date, there is not evidence of overwhelming erosion taking place. USAID concentration on strengthening the local organizations not only addresses the essential issue of building community self-sufficiency to help safeguard food security under military rule, but also builds the capacity of the grassroots civil society for the return to an even stronger democracy. The latter was a key weakness of the Gambian democracy.

#### PROVIDING HUMANITARIAN ASSISTANCE (\$2,088,000).

USAID's P.L. 480 Title II program provides essential nutrition to lactating women and their children in rural areas. In addition, through a monetization grant, USAID will continue to support the 50,000 women members of the Sesame Growers Association to promote the production and export of sesame as well as to build the capacity to identify and implement other activities to enhance economic well being. These activities are increasingly important, as the level of economic activity slows under the military regime. The returns for the 50,000 women and their families have been tremendous. 500 tones of sesame seed will be exported to Europe this year under a recently signed marketing agreement.

#### Other Donor Resource Flows.

In FY 1993, the United States was the second largest donor to The Gambia, providing 13.87% of all donor contributions. Other major donors included Japan, the International Development Association, the European Fund and the African Development Bank Fund.

**THE GAMBIA  
FY 1996 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	Total
<b>USAID Strategic Objectives</b>						
Return to democracy	104,000		32,856	1,704,090		1,841,046
P.L. 480, Title II					2,088,000	2,088,000
<b>Total</b>	<b>104,000</b>		<b>32,856</b>	<b>1,704,000</b>	<b>2,088,000</b>	<b>3,928,046</b>

USAID Representative: Rose Marie Depp

## GHANA

FY 1996 Development Fund for Africa Request: .....	\$39,749,412
FY 1996 Development Assistance Request: .....	\$5,545,000
FY 1996 P.L. 480 Title II Request: .....	\$8,611,000

Ghana, with a population nearing 16 million and a per capita Gross National Product (GNP) of \$450 per year, is ranked among the low income countries of the world. It is a young democracy, deeply engaged in a program of economic adjustment to foster and sustain broad-based economic growth. U.S. assistance to Ghana (7% of donor aid) supports U.S. interests in promoting democratic governance and free-market development. Ghana has taken major steps in terms of establishing democratic institutions: a constitutional democracy was established in 1992 and a President was elected under that democratic process. National Presidential and Parliamentary elections are scheduled for 1996. Ghana is also a lead country in economic reform and committed to providing an environment more favorable to private sector investment and export. U.S. interests in promoting regional stability in Africa have also been well served by the pivotal role played by President Rawlings in pursuing a peaceful settlement of the conflict in Liberia.

Since 1983, Ghana has pursued free-market policy reforms and become increasingly attractive for U.S. trade and private investment. Ghana has also demonstrated a clear commitment to slowing population growth. In addition, Ghana is becoming an increasingly important destination for Americans seeking to learn more about the contributions of Africa to American history and culture. For these reasons, Ghana is proving to be a good partner of the United States in West Africa and a country which is well placed to use U.S. assistance effectively.

#### The Development Challenge.

By the time Ghana began its Economic Reform Program in 1983, its economy and social sectors were in shambles after years of mismanagement and state control. Although Ghana has achieved significant improvements over the past 12 years, poverty is prevalent, with average incomes at \$450 per capita, and education, health and food security for large portions of the population still inadequate. Ghana also remains overly dependent on a few export commodities, notably cocoa and gold. As the democratic reforms progress, demands on the public sector have increased. The Government of Ghana (GOG) is currently grappling with how to contain budget deficits and control inflation.

The Government of Ghana has taken meaningful steps to privatize state-owned enterprises, maintain macro-economic stability and enhance its food security. Its programs to promote economic growth, through investments in human capital -- especially primary education -- and through efforts to diversify exports require external assistance. It also needs assistance to stabilize population growth, to stay the course with democratic reforms, to make public institutions more accountable to local communities, and to address the humanitarian needs of its most vulnerable populations.

#### Strategic Objectives (SOs).

The USAID/Ghana program is focused on three strategic objectives. Limited assistance is also provided in areas that underpin all three SOs: Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome (HIV/AIDS) prevention, child survival, building democracy, and natural resource conservation and historic preservation.

**ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$27,199,676).**

**SO 1. Increased Private Sector Non-Traditional Exports (\$19,263,976 of which \$17,979,676 is for Economic Growth, and \$1,284,300 is for Protecting the Environment).**

Ghana has demonstrated substantial potential for the development of non-traditional export products such as horticulture, seafood, wood, specialty textile, and other manufactured products. Non-traditional exports increased from \$1 million in 1983 to \$68 million in 1992. The development of non-traditional exports (NTEs) will help Ghana to overcome its dependency on a few commodities and will promote growth in incomes and employment.

Activities. The five-year, \$80 million Trade and Investment Program (TIP) addresses obstacles that limit private sector investment and production support. One major thrust of TIP is improving the environment for private sector export firms through policy reforms, streamlining regulations and procedures, and upgrading export infrastructure. A second element of TIP assists in identifying and developing export markets, improving production capability of exporters, packaging viable projects for investment funding, production of small holder products for exporters and development of artisanal crafts.

Related Activities. TIP is complemented by the Human Resource Development Assistance Project which provides in-country training for local entrepreneurs, assistance for development of local training institutions, third-country training and observation tours for senior personnel and managers of private businesses and private sector associations, and study tours and entrepreneurship training in the United States and third countries.

USAID support to environmental activities under SO 1 includes assisting the GOG to set aside a 370 square mile national park and forest reserve in Ghana's Central Region, and support for the preservation and partial restoration of three fortifications dating back to the 15th century which have been designated as world historical sites under international conventions. The increased tourism generated in these activities will be an important source of foreign exchange. USAID is also assisting in establishing an environmental monitoring, evaluation and mitigation plan for the non-traditional export sector. The plan assists the GOG in its efforts to monitor environmental impact in the horticultural, salt mining, wood processing and shrimp farming industries.

Indicators. The program is expected to result in growth in non-traditional exports from \$68 million in 1992 to \$250 million in 1997, and to generate 60,000 new jobs.

Feasibility and Cost-effectiveness. TIP is helping to improve the environment for private sector trade and investment, while addressing key management and information needs of firms in the NTE sector. A number of studies have identified several marketing opportunities for Ghana's non-traditional exporters which are currently being developed. TIP assists firms to take advantage of existing resources and marketing opportunities. Moreover, TIP assists firms of different sizes, and reaches out to women-owned firms and associations.

Progress in 1993-1994. TIP has stimulated the GOG to take steps to improve the business environment. As a result, in March 1994, the GOG adopted a revised Investment Code which is more conducive to private sector investment. The GOG has also removed regulatory bottlenecks facing exporters, such as export pre-payments and restrictions on retention of foreign exchange earnings. Registration of investments has climbed from 211 in 1991 to over 800 by September, 1994 and applications for foreign direct investment increased from 250 in 1992 to 470 by September, 1994. Funds generated from P.L. 480, Title III, rice sales are used to rehabilitate farm-to-market roads, lowering the cost of moving export goods to and from rural areas.

TIP has assisted Ghana to increase its non-traditional exports from a rate of \$5.7 million per month in 1992, to \$9.5 million per month during the first six months of 1994. Through a grant to the African Project Development Facility, eight firms that received assistance in business planning, and identification of funding sources increased their investments by \$14 million in 1993. The International Executive Service Corps (IESC) assisted four exporters to double exports. IESC and Technoserve have assisted pineapple farmers to increase productivity and exports, with small-holder farmers enjoying many of the benefits of the increased sales. Technoserve has brokered a large export deal for processed shea nuts with a U.S. firm; the main beneficiaries of the shea nut project are women in remote rural areas. In addition, Aid-to-Artisans has assisted small handicraft manufacturers to secure contracts with firms such as J.C. Penney, Pier I and the American Merchandizing Company.

**Donor Coordination.** USAID assistance for NTEs is coordinated with assistance from other donors, notably the World Bank's Private Enterprise and Export Development Program which was designed to provide credit in concert with the technical assistance provided under USAID's TIP.

**Constraints.** High inflation, high interest rates and the eroding value of the Ghanaian *cedi*, stemming from the GOG's deficit financing, are having adverse effects on the cost structures of non-traditional exporters. Many firms are having difficulties in securing credit for working capital or investment because of weaknesses in the financial system and their own risk profiles. USAID is attempting to help break the credit bottleneck through consultations with affected firms, financial institutions, regulatory agencies and concerned donors.

### SO 3. Improved Quality of Primary Education (\$8,000,000).

Ghana once had one of the best education systems in Anglophone Africa, but spending on education declined from 6.4% of gross domestic product in 1976 to only 1.5% in 1983. The system deteriorated to the point where only 10% of primary school children had textbooks and only half of the primary school teachers had been trained to minimum standards. This deterioration needs to be reversed if Ghana is to have the strong human resource base (a productive labor force) necessary to foster sustained economic development. Basic literacy and numeracy are essential qualities of a productive labor force. In 1990, the adult literacy rate was estimated to have been 60%.

**Activities.** USAID's Primary Education Program (PREP) supports the decentralization of the Ministry of Education to the district level, improved qualifications of public school teachers and institutionalization of student achievement testing. The project also provides textbooks, improved access, teacher training and improved administration in the primary school system. A second phase of assistance will be designed during 1995 for implementation beginning in FY 1996.

**Indicators.** USAID tracks GOG funding for primary education, progress on student performance through achievement tests, teacher training, school supervision, policy reforms and improvements in the Ministry of Education's institutional capacity. The program seeks to maintain the Ministry of Education's budget and expenditures for primary education at the 1989 level (38%), to see that 90% of the primary schools have qualified teachers and basic teaching materials, and that 91% of the circuit supervisors have been hired and trained.

**Feasibility and Cost-effectiveness.** PREP has been successful in stimulating increased public spending for primary education. In studies throughout the developing world, investments in primary education have been shown to contribute significantly to long-term economic growth and improvements in the overall health of the nation. PREP places strong emphasis on equity considerations with respect to poverty and gender. PREP's mid-term evaluation identified the need to address management and information weaknesses, the qualifications of teachers and changes in curricula. These issues will be addressed in the development of a proposal for further assistance to primary education.

**Progress in 1993-1994.** In 1993, 41.7% of the Ministry of Education's expenditures were allocated to primary education. USAID recently conducted a comprehensive review of curricula, textbooks and instructional material, and concluded that substantial revisions are needed in each of these areas. The Ministry of Education established committees to review the performance of the primary education system and to develop a strategy for further reforms. USAID assistance was successful in increasing the rate of textbook production to 775,000 units during the last six months of FY 1994.

**Donor Coordination.** USAID assistance is closely coordinated with that of the World Bank and the British Overseas Development Administration, the other major donors in this sector.

**Constraints.** GOG development of a primary education strategy for the next five years has been slow. Management capacity of the Ministry of Education is weak and the classroom performance and supervision of teachers is poor. USAID has delayed design of new activities in this sector in order to support GOG strategy development efforts and to identify a more effective response to identified constraints.

#### STABILIZING WORLD POPULATION GROWTH (\$15,277,936).

##### SO 2. Reduce Fertility (\$15,227,936).

At the current annual growth rate of 3%, Ghana's population will double in 24 years from the current 17 million. This population growth puts pressure on social and economic infrastructure and inhibits growth in per capita income. Ghana's emergent family planning program suffered serious set-backs during the country's economic deterioration in the early 1980s. Much of Ghana's shrinking health budget has gone to curative care rather than primary health care and family planning interventions.

**Activities.** The current Family Planning and Health Program, which ends in March 1996, supports the Government of Ghana's efforts to increase the use of modern methods of family planning by increasing the capacity of the public and private sector to provide family planning and maternal and child health services, supplies and information. It also seeks to increase the effectiveness of HIV/AIDS prevention and control activities. A new Ghana Population and AIDS Program (GHANAPA), approved in September 1994, will build on the current program. GHANAPA addresses public policy constraints that limit the delivery of family planning services, and the diagnosis, prevention and control of HIV/AIDS and other sexually transmitted diseases in Ghana. The program will also continue efforts to increase the use of effective family planning methods, and increase awareness and practice of HIV/AIDS risk reduction behavior.

**Indicators.** The USAID program seeks, by the year 2000, to: a) reduce the total fertility rate from 5.5 live births per woman in 1993 to 5.0; b) increase the contraceptive prevalence rate for modern contraceptive use among women living with a male partner, from 10% to 20%; c) increase percentage of contraceptive prevalence attributable to longer lasting methods from 20% to 40%; d) increase the percentage of total demand satisfied for all contraceptive methods, from 26.4% to 50%; and e) increase public sector cost recovery for contraceptives, from 5% to 15%.

**Feasibility and Cost-effectiveness.** Considerable unmet demand for family planning services and contraceptives is demonstrated in survey findings which indicated that 72% of married women and 67% of married men wish to either postpone the birth of their next child for two years or want no more, while only 34% of married men and 20% of married women report using any family planning method -- including traditional methods. USAID programs work with existing public health centers, but an emphasis is placed on social marketing through the private sector and through cooperation with non-governmental organizations to reach the maximum population at the lowest cost. Emphasis is placed on longer-lasting methods to achieve greater cost-effectiveness. Given low incomes of the majority of the population, full cost recovery is not practical at this time. Success in stabilizing population growth will reduce pressures for public spending.

**Progress in 1993-1994.** As a result of the Family Planning Health Program, the GOG has adopted a National Population Policy, eliminated price controls on contraceptives and removed their classification as dangerous drugs. Contraceptives are more widely available, the contraceptive prevalence rate has doubled from 5% in 1988 to 10% in 1994, and couple-years-protection increased from 223,000 in 1991 to 317,000 in 1993. The total fertility rate has declined from 6.4 to 5.5 in the past five years; an outstanding achievement for Sub-Saharan Africa where fertility rates often exceed 6 children per woman.

**Donor Coordination.** USAID is the leading donor in family planning. Programs are coordinated with the United Nations Fund for Population Activities, UNICEF, the International Planned Parenthood Federation, other bilateral donors and non-governmental organizations.

**Constraints.** GHANAPA is addressing several constraints, among them: financing for family planning is low and unsustainable; increased resource allocation by the public sector and increased user fees and contraceptive prices are needed; improved management, improved infrastructure and additional training for service providers are required; and the needs of certain target groups, e.g. men and adolescents, are not being met.

#### **Cross-cutting Issues.**

##### **BUILDING DEMOCRACY (\$1,582,500).**

As a cross-cutting activity throughout the USAID portfolio, Democracy and Governance is of particular importance. Ghana has made substantial progress during the 1990s in its transition to democracy and is moving to consolidate the gains of past political reforms. In November 1996, the country will undergo a second round of presidential and parliamentary elections since the Constitution of the Fourth Republic was approved by national referendum in April 1992. However, the national voter registry used for the elections in 1992 is seriously out of date and disparaged by many in Ghana. USAID's \$10.15 million Supporting the Electoral Process (STEP) Project was signed in September 1994, to help Ghana consolidate the gains it has made in establishing democracy. STEP is being implemented by the International Foundation for Electoral Systems which will assist the GOG in creating a new voter registry, developing an intensive voter education program on registration, improving the management of voter registration, and providing subsistence grants for observers of the registration process. STEP also provides limited commodity support for election activities.

##### **HIV/AIDS PREVENTION (\$1,220,000).**

HIV prevalence in Ghana is estimated at between two and four percent. Although this is low by African standards, it is clear that the HIV/AIDS pre-epidemic phase is completed and that a sharp increase in HIV incidence should be expected in the next five to six years. The purpose of the HIV/AIDS component of the Ghana Population and AIDS (GHANAPA) Program is to increase the awareness and practice of risk reduction behaviors. GHANAPA will promote improved policies, safer sexual behavior, improved diagnosis and treatment of sexually-transmitted diseases and improved HIV/AIDS laboratory and surveillance systems. Expected achievements, to be measured through surveys, includes: a) an increase in the proportion of people citing at least two ways to prevent HIV infection, from 81% to 75%; and b) 50% of respondents reporting condom use during most recent act of sexual contact with a non-regular partner.

##### **PROVIDING HUMANITARIAN ASSISTANCE (\$8,611,000).**

P.L. 480, Title II assistance enhances food security of vulnerable population groups in Ghana. Food and local currency resulting from the sale of food provide assistance to at-risk mothers and children, rural farmers and victims of disasters. Assistance is also provided for rural community initiated projects, such as agro-forestry, social services and enterprise development.

**Other Donor Resource Flows.**

In FY 1993, the United States was the fifth largest donor to Ghana, providing 6.8% of all donor contributions. Major donors are the World Bank, Japan, the European Development Fund and Germany.

**GHANA  
FY 1996 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	Total
USAID Strategic Objectives						
1. Increased Private Sector Non- Traditional Exports	17,979,676	--	1,284,300	--	--	19,263,976
2. Reduce Fertility						
Dev. Fund for Africa	--	9,682,936	--	--	--	9,682,936
Dev. Assistance Fund	--	6,546,000	--	--	--	6,546,000
3. Improved Quality of Primary Education	8,000,000	--	--	--	--	8,000,000
Cross-cutting Issues:						
HIV/AIDS Prevention	1,220,000	--	--	--	--	1,220,000
Election Support	--	--	--	1,682,500	--	1,682,500
P.L. 480, Title II	--	--	--	--	8,611,000	8,611,000
<b>Total</b>	<b>27,199,676</b>	<b>16,227,936</b>	<b>1,284,300</b>	<b>1,682,500</b>	<b>8,611,000</b>	<b>53,905,412</b>

USAID Mission Director: Barbara Sandoval

## GUINEA

FY 1996 African Development Fund Request: ..... \$23,365,503  
 FY 1996 Development Assistance Fund: ..... \$2,300,000

Guinea, one of the world's poorest and most underdeveloped countries, suffers from one of the lowest education levels in West Africa. The USAID/Guinea program promotes U.S. interests in democratic governance, free-market development and a reduction in poverty. The USAID program has targeted its resources towards expanding the economy away from the traditional mining sector as a means of diversifying and achieving more sustainability and equity in its distribution of benefits. Also, to address rapid population growth and a weak human resource base, the USAID program focusses on family planning service delivery in both the private and public sectors and the strengthening of primary education. In a relatively brief period, USAID has recorded significant results through its agriculture infrastructure and private enterprise development activities.

#### The Development Challenge.

In 1994, Guinea was ranked last out of 173 nations by the United Nations Development Program Human Development Report. This ranking reflects Guinea's poor social and economic situation, including an infant mortality rate of 150 deaths per 1,000, a population growth rate of 2.8%, and an illiteracy rate of about 75%. Such statistics reflect the 26 years of totalitarian rule of Sekou Toure, during which time economic growth was crushed and the transport, power and communication sectors were destroyed. In 1984, with the advent of the second republic, Guinea decided to change its course radically. The political system was reformed and the economy was liberalized. With the help of the World Bank, the International Monetary Fund (IMF) and other donors, these reforms have begun to take hold. The IMF reports that inflation has been reduced to 4% a year, the exchange rate has been stabilized, and fiscal discipline has been imposed. These measures have led to an estimated 4% annual growth rate from 1987 to 1993.

Strategic Objectives (SOs). USAID is pursuing four strategic objectives in Guinea.

**ENCOURAGING BROAD-BASED ECONOMIC GROWTH** (\$19,413,505 of which \$17,113,505 DFA and \$2,300,000 DAF).

#### SO 1. Growth and Efficiency in Agricultural Markets (\$10,512,325).

While Guinea traditionally relied on its mineral exports as its major source of income, dependence on this sector has not led to sustainable, broad-based economic growth. An estimated 80% of Guineans are engaged in the agriculture sector where the country has a comparative advantage. Through reducing barriers to agricultural production, USAID can assist the greatest number of Guineans and have a direct effect on rural income. Increased wealth for all citizens has a synergistic effect on the other strategic objectives having to do with increasing demand for family planning services and improving primary education.

Activities. The USAID program is assisting the country to: improve intra-regional, inter-regional, and international access to markets for the productive coastal area of Guinea; increase private and public capital investment; and to improve natural resource management. USAID is providing technical assistance and training to develop viable, rural-based, small scale enterprises, to increase owner equity among assisted firms, and to increase profits among these firms. Through the construction of rural roads USAID is assisting small farmers access markets which will increase the year-round volume of produce and goods traded throughout the country; and lower the cost of commercial transport. Additionally, USAID is providing technical assistance to improve the management of natural resources in three target watersheds in the Fouta Djallon Highlands of Guinea for profitable and sustainable agricultural production. Assistance through this SO has resulted in a very high impact and benefits

accruing to the population. There is a reported 30%-50% decrease in transportation costs, increased quantities of produce transported to markets, greater flow of goods and services into the rural communities and increased vehicular traffic.

Indicators. Two indicators for achieving this SO are a 12.5% increase in agricultural production for selected commodities (e.g. rice, maize, coffee, pineapples, peanuts) between 1993 and 1996; and a 40% decrease in transportation costs per kilometer between 1993 and 1996.

Feasibility and Cost-effectiveness. Reform in the agriculture sector is recognized by donors and the Government of Guinea (GOG) alike as the key to promoting sustainable growth, and is evidenced by price and market liberalization, controlling inflation, and extensive privatization. USAID programs combine project assistance and policy dialogue that are leading to an improved enabling environment for agricultural marketing, including a better legal and financial policy framework, an improved human resource base and better access to information and credit. While the programs are too new to calculate returns on investment, we anticipate positive returns in the 1993-1996 time period, such as a six-fold expansion in job creation for small and medium enterprises.

Progress in 1993-1994. Baseline data collection for two key projects under this SO only began in January 1994 and analysis of data is not expected until early 1995. However, trends are very positive: nearly 600 kilometers of road and 14 bridges have been completed under two projects and over 1,000 additional kilometers of road are under contract. There is a reported 30-50% decrease in transport costs, increased quantities of produce transported to markets and a greater flow of goods and services in areas where roads have been completed. Over 10,815 loans totalling \$2.4 million have been made to micro-enterprises in rural areas with 100% repayment rates. An Agricultural Marketing Foundation has been formed and is engaging the GOG in policy dialogue; an Agricultural Marketing Loan Guaranty Fund and credit facility were recently established; three export contracts have resulted from regional trade fairs organized by USAID; and exports of pineapples and mangoes are reported to be on the increase.

Donor Coordination. USAID's efforts under this SO directly address economic growth issues and are highly complementary with other major donor projects. Several USAID projects are either jointly funded/co-financed or share costs with other donor projects to avoid duplication of efforts. The very nature of this SO requires close coordination and dialogue with donors (the World Bank, the Food and Agriculture Organization of the United Nations, and the European Economic Community).

Constraints. Continued high costs of transport, expensive packing materials, lack of pre-harvest care for some export products and lack of credit options continue to represent constraints to growth in the agriculture sector. In addition, further reform is needed in interest and exchange rate policies, and rules for the establishment of private businesses and land reform to facilitate trade and private investment. USAID as well as other donors are addressing these constraints.

**SO 2: Improved Quality and Increased Enrollment in Primary Education, with an Emphasis on Rural/Female Participation (\$5,300,000 of which \$3,000,000 DFA and \$2,300,000 DAF).**

A weak human resource base is one of Guinea's major constraints to development. A 75% illiterate population means poor management in the public and private sectors, limited ability to take advantage of agricultural export opportunities, reduced capacity to understand and use family health information and services, and slower adoption of democratic principles and policies. Improved literacy, therefore, is linked to all other elements of USAID/Guinea's program. The emphasis on female participation will yield the highest returns of all, given the important female role in agriculture and microenterprises.

Expanded family education also contributes directly to lowered fertility rates and improved health status.

**Activities.** Through the provision of sector budget support, technical assistance and training, USAID is assisting the GOG to expand the level of staff and organizational performance within the Ministry of Education to promote a continuously improving quality of schooling to a continuously increasing percentage of school children. Specifically, activities in this SO are aimed at changing social perceptions and traditions that prevent girls from attending school; making schools accessible to girls from rural areas; encouraging the GOG to increase its budgetary allocation to primary education; and fostering improvements in the overall administrative management of the entire educational system through the provision of technical assistance and training.

**Indicators.** The share of the GOG's budget to primary education will be increased to 25%; and the gross enrollment rate for primary schools will be increased by 34%.

**Feasibility and Cost-effectiveness.** This USAID program, which has coupled policy reform dialogue with project assistance, has yielded increased allocations of the government resources for primary education, a redeployment of teachers to the primary school level and increased primary school enrollment. Our investment, which will equal \$17.0 million in the FY 1994-1996 period, is already resulting in an increase in the gross enrollment rate, (GER). It is estimated some 70,000 new students will be enrolled in FY 1995 and 125,000 in FY 1996.

**Progress in 1993-1994.** The GER grew from 27.5% in 1989/90 to over 40% in 1994, surpassing the original USAID target. The share of the Government's budget that went to the education sector also grew significantly; the primary school education budget increased to 36% of the Ministry of Education's total budget, again surpassing original targets. In addition, the Government redeployed over 2,000 teachers out of overstuffed secondary schools to primary schools.

**Donor Coordination.** The Education Sector Reform Project is part of a multi-donor effort to assist Guinea with the reform of its primary education system. The principal donors have taken responsibility for different interventions in the reform. The World Bank, through a sector adjustment credit program, provides financial assistance for school construction and technical assistance aimed at policy reform. The French Fonds d'Aide et de la Cooperation, provides technical assistance in the areas of teacher training, educational planning, monitoring and evaluation. Donor coordination is achieved through a series of joint donor reviews with the GOG and periodic meetings to collaborate on technical and policy issues.

**Constraints.** Continued weak planning and management capacity, delays in the transfer of funds from the central budget to the Ministry of Education and its lack of adequate internal controls, as well as poor performance by primary school graduates, high repeater and drop out rates and cultural biases against girls' education, all constitute constraints in this sector. The Government's need to meet certain IMF targets on expenditures may further limit Government options for recurrent cost support of an expansion of primary education facilities.

#### **STABILIZING POPULATION GROWTH (\$3,800,000).**

**SO 3: Improve Family Health Services and Increase Ability of Families to Limit Household Size (\$5,301,180 of which \$3,800,000 is for Stabilizing Population Growth and \$1,801,180 is for Encouraging Economic Growth).**

Guinea's impressive economic growth needs to be protected against demographic pressures. High fertility and high infant mortality rates constitute a vicious circle that needs to be broken. While the USAID/Guinea program originally focused purely on family planning, a family health component is proposed for FY 1995 in recognition that improved maternal/child health strengthens the demand for family planning services.

**Activities.** Through the use of technical assistance and training, USAID is assisting Guinea to increase the availability, accessibility, affordability, acceptability, diversity, quality and use of family planning and Sexually Transmitted Diseases (STD)/AIDS prevention products and services. Also, policy reforms enacted under USAID's assistance program are directly related to the decline in Guinea's population growth rate, and the increased availability and distribution of contraceptives and family planning services through the STD and HIV/AIDS intervention program.

**Indicators.** (1) Improved policy and legal climate for family planning and the contraceptive prevalence rate will increase to 5%; (2) Family planning and STD/AIDS-prevention services fully integrated into 64 GOG Primary Health Care (PHC) centers and Maternities; and (3) Social marketing system established to provide contraceptive products and services to customers through the private sector.

**Feasibility and Cost-effectiveness.** The GOG has recently reversed its pronatalist policy and embraced a contraceptive prevalence goal of 25% and a population growth rate goal of 2% by the year 2010. The 1992 Demographic Health Survey data showed a negligible contraceptive use (about 1%) prior to the start of the USAID program. However, only two years later, family planning and AIDS prevention messages are being seen and heard frequently on radio and TV and contraceptive use is on the rise in project areas. USAID's investment of \$8.3 million in family planning and health in the FY 1994-1996 period is small in relation to the benefits of improved health and reduced population growth, both of which make economic growth more sustainable. By the end of 1996, 50% of public primary health care centers are projected to offer family planning services.

**Progress in 1993-1994.** Mass media messages on family planning and HIV/AIDS prevention have resulted in enormous increases in condom sales. These exceeded 3.5 million in 1993/94. Couple years of protection (CYP) achieved were more than double the projected target levels in FY 1994, and more than 50,000 CYP have been achieved since the beginning of the project. The number of public health care centers offering family planning services grew by 64% during this period, dramatically increasing nationwide access and coverage to approximately 1,120,000 people.

**Donor Coordination.** The two major donors in family planning are USAID and the United Nations Fund for Population Activity (UNFPA). Both focus on integrating family planning in government health clinics, UNFPA working in Middle and Lower Guinea and USAID working in Upper Guinea and the Forest Region through its cooperative agreement with Population Services International. USAID, however, is the only donor working on a large scale in social marketing of contraceptives or in information, education and communication activities.

**Constraints.** Reproductive behavior takes time to change and is related to high infant and child mortality rates. An expansion in the delivery of family health services and access to them is limited by the existing health system and infrastructure.

#### **Cross-cutting Issues.**

##### **Human Resources Development - Economic Growth (\$1,800,000).**

To support broad-based economic growth, USAID is facilitating and supporting national and regional training programs that will provide qualified technical, scientific and managerial personnel and policy planners to strengthen African development institutions, enhance the growth of the private sector and increase the participation of women in development.

##### **Increase Participation in Democratic Processes and Fostering Good Governance - Democracy Building (\$2,186,620).**

This is a new activity, proposed for the FY 1995-1996 time period. Its addition reflects the electoral assistance that the Mission has been involved in since 1993 and the fact that all of the Mission's other

SOs already have elements relating to promoting good governance. With a separate democracy/governance SO, the Mission would institute a new project designed to promote improved governance at the local level. This would complement and facilitate implementation of projects under other SOs which rely heavily on local institutions for support. The expansion of democracy/governance activities reflects the realization that solid economic growth can best be achieved in a society with active civic organizations, a fair and transparent legal and regulatory system, decentralization and good governance.

#### Improve Water and Soil Conservation - Protecting the Environment (\$265,378).

Activity in improving water and soil conservation techniques in three watersheds in the Fouta Dajallon region, implemented through the Natural Resources Management project, is a critical investment in environmental protection -- the management of a fragile agro-ecological system for sustainable production and planning and for the development of a national environmental action plan. The outcome of this effort will be reduced degradation and improved quality of life of those living throughout the river basins of West Africa, specifically through soil conservation, water control, and planting of trees and windbreaks for effective management of natural resources.

#### Other Donor Resource Flows.

In FY 1993, the United States was the sixth largest donor to Guinea, providing 6.2% of all donor contributions. Other major donors include France, Japan, the World Bank, African Development Bank, the European Community, and the United Nations Agencies.

### GUINEA FY 1996 PROGRAM SUMMARY

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Total
USAID Strategic Objectives					
1. Growth in Agricultural Markets	10,512,325	--	--	--	10,512,325
2. Improved Primary Ed					
Dev. Fund for Africa	3,000,000	--	--	--	3,000,000
Dev. Assistance Fund	2,300,000	--	--	--	2,300,000
3. Improved Family Planning Services	1,801,180	3,800,000	--	--	3,800,000
Cross-cutting Issues:					
Human Resource Dev.	1,800,000	--	--	--	1,800,000
Democracy/Governance	--	--	--	2,186,620	2,186,620
Protecting the Environment	--	--	265,378	--	265,378
<b>Total</b>	<b>18,413,505</b>	<b>3,800,000</b>	<b>265,378</b>	<b>2,186,620</b>	<b>25,665,503</b>

USAID Mission Director: Wilbur Thomas

## GUINEA-BISSAU

FY 1996 Development Fund for Africa Request .....	\$5,449,996
FY 1996 P.L. 480 Title II Request: .....	\$907,000

Guinea-Bissau is a small, ethnically and religiously diverse, poor West African nation that has attracted wide attention from donors and other developing countries by doing numerous things right: a peaceful transition to multi-party democracy; a successful stabilization program; strong efforts in structural adjustment; significant policy, legal, regulatory and judicial reform; rapid private sector expansion; and, most important, continuing real economic growth. Guinea-Bissau continues to provide valuable "lessons learned" on the relationship of peaceful political transformation and good governance to private sector development and sustainable economic growth. These lessons are directly applicable to other emerging and troubled democracies in Africa, especially Mozambique and Angola, which share the same Portuguese colonial ties and social, political, economic and legal traditions as Guinea Bissau. It is in the interest of the United States to continue supporting Guinea-Bissau to consolidate democratic and economic gains made to date and to apply the lessons of Guinea-Bissau's peaceful and fundamental transformation to other countries in an increasingly unstable region.

**The Development Challenge**

Despite its impressive achievements of the past few years, Guinea-Bissau remains one of the world's least developed nations. Per capita income is only about \$220, the debt burden is approximately 300% of gross domestic product (GDP), and the country lacks much basic infrastructure. Many of these developmental constraints stem from the Government of Guinea-Bissau's (GOGB) adoption, after independence from Portugal, of a socialist model of economic development. Private ownership of the means of production was banned and state-owned agencies were created to industrialize the country. By the early 1980s the economy had failed dismally and the country suffered severe shortages of even basic goods and services. In 1986 the GOGB began to reorient its economy toward market-oriented, agriculturally-based, private sector-led development. By the 1990s, the private sector began asserting itself as the engine of growth and development.

Significant factors that continue to inhibit the sustainability of private sector-led growth are the policies and policy-making environment, the legal, regulatory and judicial framework, and limited private sector business support services. Reforms in these areas, though critical, will not, in themselves, be sufficient to ensure stimulation and continued growth of private sector activities. Guinea-Bissau's transition can only be accomplished if there is also significantly increased participation of the private sector and by entrepreneurs who respond to the new opportunities presented by an improved business environment.

**Strategic Objective (SO).**

The USAID program supports one strategic objective which directly mirrors the GOGB's economic and political reform agenda.

**ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$1,689,950).**

**SO 1. To Increase Sustainable Private Sector Trade and Investment in Six Critical Growth Sub-Sectors through Improved Governance (\$5,449,996 of which \$1,689,950 is for Encouraging Economic Growth, \$1,572,090 is for Building Democracy, \$2,087,956 is for Protecting the Environment, and \$100,000 is for Stabilizing Population growth).**

The USAID program recognizes that private sector growth must be promoted in areas of economic significance and real economic potential. Thus, the critical growth sub-sectors identified in the strategic objective are defined as the production, processing and marketing (domestic and/or export)

of cashews, fruits, vegetables, rice, forest, and fish products. Together these sub-sectors account for 60-70% of GDP, employ over 80% of the population, account for almost 100% of exports, and provide almost 70% of GOGB domestic revenues.

**Activities.** The vast majority of USAID-financed activities are carried out under the Trade and Investment Promotion Support (TIPS) project, and supported by complementary USAID central projects. To achieve USAID's strategic objective the TIPS program consists of technical assistance and training (mostly in-country), to facilitate and implement: 1) Policy Formulation; 2) Legal and Regulatory Reform; 3) Judicial Reform; and 4) Assistance to the Private Sector to ensure that private sector interests are known and respected in policy, legal, regulatory and judicial reforms, and to ensure that the private sector responds to new economic opportunities in the six critical growth sub-sectors.

**Related Activities.** The TIPS project's emphasis on improved governance leading directly to economic growth is at the heart of the USAID program. USAID and the GOGB, in full collaboration with the private sector, are promoting improved, participatory policy making, participatory debate of legislation and regulations, an independent and better-trained judiciary, and the establishment and empowerment of private sector associations. Additionally, the TIPS policy component activities focus on protecting the environment. TIPS is working with host country and donor counterparts to develop a tropical forest resources management policy and a fisheries resources management policy to ensure appropriate and sustainable use of these natural resources. The TIPS project will also work closely with the World Bank's resources management project in Guinea-Bissau.

**Indicators.** Indicators for the 1992-1998 period include: A. Domestic Trade: 1) the number of formal sector commercial firms registered increased by 25% over 1992 levels; 2) the number of semi-formal sector applications for stalls at formal markets increased by 25% over 1992; and 3) the number of rural households reporting money income, part of production sold, and part of consumption purchased increased by 25% over 1992; B. External Trade: 1) export earnings from cashews, wood and wood products, fish and fish products, fruits and vegetables increased by 25% over 1992; and 2) productive input component of imports increased by 25% over 1992; and C. Investment: 1) number (value) of foreign and domestic applications approved and implemented in the critical growth sub-sectors under the new investment code increased by 100% over 1992; and 2) private investment increased to around 5% of GDP.

Economic analysis done for the TIPS project showed that even under very modest impact assumptions, the overall rate of return on the USAID investment should exceed 10% per year. To achieve this rate, GDP need only grow at an increased average marginal annual rate of about 0.9% over the next 20 years (total GDP for Guinea-Bissau is only about \$220 million now). For example, TIPS analysis showed that domestic processing of cashews (now exported in the shell) could alone increase the value of the domestic product by about \$3.2 million or 1.5%. Mango exports, when production is fully converted to European market varieties, could produce up to an additional \$1.5 million per year.

**Feasibility and Cost-effectiveness.** When the USAID strategy for Guinea-Bissau was approved in 1992, the Mission's approach was considered ambitious, experimental and high risk because it sought to change fundamental elements of Guinea-Bissau society: government structures (executive, legislative, and judiciary) as well as key policies, laws and regulations. The program also sought to create the elements of civil society: private interest groups, open debate of policy, laws, etc. However, the high risk label is no longer appropriate. Guinea-Bissau, with USAID assistance, has already made excellent progress in all these areas. USAID's program does not finance infrastructure or subsidize operating costs of the public and private entities with which it works (Guineans pay these costs) thus ensuring program sustainability.

**Progress in 1993-1994.** Because "official" statistics on levels of economic activity do not adequately reflect all activity (especially in the informal sector) USAID has developed proxies for some indicators of private economic activity. As can be seen from the following, private sector economic activity --

virtually non-existent a decade ago -- is booming. Real economic growth, led entirely by the private sector, remained stable at about 3% per year. This translated into concrete gains for the people of Guinea-Bissau in the form of new jobs and increased opportunities.

**A. Domestic Trade:** The number of registered firms in Guinea-Bissau increased from 2,119 in 1992 to 2,583 in 1994, a 22% increase in two years. The total number of small traders in Guinea-Bissau increased from 14,500 in 1992 to 18,500 in 1994, a 27% increase. **B. External Trade:** 1994 exports, totaled \$28.5 million, an increase of 29% over 1991. Cashews (in the shell) accounted for 84% of the value of all exports. **C. Investment:** Since Guinea-Bissau still has no national income accounts, firm estimates of private sector investment are not available, however it is clearly increasing. The number of foreign and domestic applications approved under the 1991 investment code increased from 13 in 1992 to 22 in 1994. Hectares planted in cashews, a major investment, increased by 1,700 or 6.3% in 1994 alone. Housing construction, privately financed, has boomed in the city of Bissau over the past 2 years. The population of Bissau is now approximately 200,000.

Significant progress in USAID's four areas of operational activity is documented below. These judicial, legal, and regulatory reforms, coupled with a strengthened private sector, lay the foundation for improving the lives of the nearly 80% of the population employed in the TIPS critical growth sub-sectors (small farmers, large commercial farmers, producer and marketing organizations, agribusiness entrepreneurs, transporters, and others).

**(A) Judicial Reform:** The Constitution was amended to establish an independent judiciary. The GOGB established a new separate line item in the government budget to finance the judiciary. The first of 38 planned rural small claims courts were inaugurated, which will serve as links between modern and traditional systems of justice.

**(B) Assistance to the Private Sector:** The environment for private sector economic activity was greatly enhanced. USAID-financed activities fostered the creation of eight key national-level private sector organizations, including the Chamber of Commerce, the National Agricultural Producers Association, the Association of Women Entrepreneurs, and the Association of Informal Medium- and Small-Scale Traders.

**(C) Legal and Regulatory Reform:** The GOGB Constitution was revised to permit multiparty democracy and to formalize the separation of powers between the executive, legislative and judicial branches. The Ministry of Commerce is now working closely with major private sector interest groups and the informal sector to remove and/or modify commercial laws, regulations and procedures which inhibit private sector activity. USAID-financed research has produced crucial information for use by the GOGB, donors, and the private sector. Major research included such critical topics as cross-border trade with Senegal and Guinea, the role of the Guinea-Bissau informal sector in the economy, legal/regulatory constraints to private business activity and investment, potential for shrimp and oyster production and for fruit export to Europe, and priorities for judicial system reform.

**(D) Policy Formulation:** The most significant indicator of the fact that the USAID program has greatly influenced GOGB policy is the GOGB's "Medium-Term Economic and Financial Policy Framework Paper (1994-1997)" presented at the recent donor-sponsored Round Table Conference in Geneva. This conference provided \$375 million in donor pledges. The policy framework paper extensively borrows from the USAID program strategy, especially in its reliance on private-sector-led growth, legal, regulatory and judicial reform, and targeting of USAID's six critical growth sectors.

**Donor Coordination.** There is a large number of multilateral and bilateral donors operating in Guinea-Bissau, and donor coordination is excellent. USAID has worked particularly closely with the World Bank on stabilization and structural adjustment and is recognized by all other donors as the leader in private sector promotion as well as policy, legal and judicial reform.

**Constraints.** Guinea-Bissau is a poor country requiring development in almost all areas. The primary development constraints, recognized but outside the scope of the USAID strategy for Guinea-Bissau, are in the areas of: (1) macroeconomic stabilization, (2) physical infrastructure (roads, ports, airports, etc), and (3) social sectors (education and health). To one degree or another, all are constraints to the realization of USAID objectives. Other donors are working to address these development impediments. For example, the World Bank and the International Monetary Fund are working on structural adjustment and stabilization activities; United Nations agencies, the Swedes and the Portuguese are providing assistance in basic health and education services; and the European Economic Community and Taiwan are focusing on capital improvements to physical infrastructures and roads.

**PROVIDING HUMANITARIAN ASSISTANCE (\$907,000).**

**P.L. 480 Title II (\$907,000).**

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

**Other Donor Resource Flows.**

In FY 1993, the United States was the sixth largest donor to Guinea-Bissau, providing 4.1% of all donor contributions. Other major donors included Portugal, the International Development Agency, Sweden, the United Nations Development Program and Japan.

**GUINEA BISSAU  
FY 1996 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	Total
USAID Strategic Objectives						
1. Increased private sector trade and investment in six critical growth subsectors through improved governance.	1,688,950	100,000	2,087,956	1,572,090	--	5,448,996
Cross-cutting issue:						
PL 480, Title II	--	--	--	--	907,000	907,000
<b>Total</b>	<b>1,688,950</b>	<b>100,000</b>	<b>2,087,956</b>	<b>1,572,090</b>	<b>907,000</b>	<b>6,356,996</b>

USAID Representative: Michael F. Lukomski

## KENYA

FY 1996 Development Fund for Africa Request .....	\$23,845,227
FY 1996 Development Assistance Fund Request .....	\$7,775,000
FY 1996 P.L. 480 Title II Request .....	\$6,951,000

Kenya was one of sub-Saharan Africa's best economic performers until the late 1980s. It has both human and natural resource potential for sustained development. Kenya is currently in a difficult transitional stage, making halting progress toward improving democratic governance following the multi-party election in December 1992. Nevertheless, Kenya continues to maintain a stable, pro-Western government and a free-market economy with a vibrant private sector. The government continues to be responsive to U.S. interests, collaborating with the United States on humanitarian and refugee operations in Ethiopia, Rwanda, Somalia, Sudan, and other neighboring countries located in the Greater Horn of Africa. In this regard, Kenya is the logistical hub for the region and plays a vital function in U.S. efforts to restore regional stability and prevent further crises. Through the Greater Horn of Africa Initiative, Kenya can maintain its significant role in regional trade, investment, infrastructure development and general economic cooperation for the region. U.S. assistance to Kenya also supports broader U.S. interests in promoting a pluralistic society and democratic governance, in maintaining a stable and open market economy which benefits regional economic growth, and in responsive humanitarian relief.

#### The Development Challenge.

Though significant progress was made over the past year with economic liberalization and structural reforms, the continuing challenge is to maintain the gains to date and encourage further progress on democratic governance. The challenge for the United States is to continue to engage the Government of Kenya (GOK) in constructive policy dialogue and to reinforce donor coordination in pressuring for accelerated reform. The United States intends to continue working toward improvements in economic policy and the political environment while addressing the longer-term development challenges of reducing population growth, while improving health services, and promoting sustainable, broad-based economic growth and employment opportunity.

During the past year, progress was made in stabilizing and liberalizing the economy. Inflation was brought under control and continues to decline. The budget deficit has been reduced and interest rates have come down. Other reforms include decontrol of all prices, abolition of trade and foreign-exchange controls, and some progress on parastatal and civil service reforms. Results on political reform and progress on accountability and governance were mixed, and remain a major challenge for the USAID program. Since November 1991, USAID has decreased economic assistance to Kenya pending progress on a variety of economic and political reforms.

#### Strategic Objectives (SOs).

USAID supports three strategic objectives in Kenya. The program also has cross-cutting themes which include building democracy, training, enhancing household food security, and strengthening capacity of private voluntary and non-governmental organizations (PVOs/NGOs).

**STABILIZING POPULATION GROWTH (\$14,883,035 of which \$6,608,035 DFA and \$7,775,000 DAF).**

#### SO 1. Reduce Fertility and Incidence of HIV/AIDS (\$14,383,035).

Kenya's population grew from 5.4 million in 1948 to 25.7 million in 1994. If this annual population growth rate of 3.0% were allowed to continue, by the year 2020 there would be 11 million more people to feed, millions more job seekers than jobs, 5,000 more Kenyans per hectare of arable land; a decline in health expenditures per capita; and 5.7 million more students to educate.

HIV prevalence among Kenyan adults increased from 3.5% in 1990 to 5.7% in 1993. By the end of 1995, an estimated 1.2 million Kenyans, or nearly 5% of the population, will be infected with HIV. Without an aggressive prevention program, HIV prevalence could increase to 9% by the year 2000, young adult deaths could increase from 90,000 in 1993 to 280,000 annually and the annual number of children dying from AIDS could be as high as 50,000 by 2005 (versus 10,000 due to measles and malaria). The cost of caring for AIDS patients alone could consume most of Kenya's health budget, and, in economic terms, the costs of AIDS could reach as high as 15% of Kenya's gross domestic product.

Population growth and AIDS, if unchecked, will continue to retard economic growth and could contribute to political instability in Kenya.

**Activities.** USAID has developed activities which will: (a) expedite replication of Kenya's successes in family planning (FP) and health-care financing; (b) seek to achieve measurable success in AIDS prevention; (c) assist Kenyan NGOs become self-sustaining and accelerate the privatization of health services and health insurance; (d) support implementation of progressive new Kenyan Government health policies to improve the efficiency, impact, and sustainability of FP and health services.

**Indicators.** The impact of USAID-supported activities will be measured by: (a) increases in the modern method contraceptive prevalence rate among all women of reproductive age (from 21% in 1993 to 30% in 1998); (b) decreases in fertility; (c) increases in use of the condom from 12% of all men in 1993 to 25% in 2000; and (d) decreases in the incidence or prevalence of STDs.

**Feasibility and Cost-effectiveness.** The Kenyan family planning program is succeeding. Surveys and evaluations in Kenya indicate that improved access to high-quality family-planning information and services has increased contraceptive use, which has been the main determinant for Kenya's rapidly falling fertility rate and overall population growth rate. Further significant declines in fertility are feasible by "doing more of the same" and meeting documented demand for family planning.

By contrast, the Kenyan HIV/AIDS control program is still evolving, but impact is expected in the future. Relatively rapid change in sexual behavior on a national scale is possible. USAID is using the extensive FP/Maternal Child Health (FP/MCH) service delivery infrastructure to broaden access to the information and services (condoms, counseling, testing, STD treatment) people require to avoid HIV infection.

**Progress in 1993-1994.** The modern method contraceptive prevalence rate among all women of reproductive age increased from 9.0% in 1984, to 21.0% in 1990-1993, and is projected to reach 28% in 1995. The total fertility rate decreased from 8.1 in 1977-1978 (one of the highest in the world), to 5.35 in 1990-1993 (one of the lowest in sub-Saharan Africa), and should fall below five percent in 1995. The population growth rate (PGR) decreased from 4.1% in 1980-1985 to a preliminary projection of 2.88% in 1995. Had the PGR which prevailed in the early 1980's persisted, Kenya's projected population could have been 120 million versus 49 million in 2025.

USAID directly contributed to these hopeful demographic trends -- and the myriad health and development benefits which ensue -- by being the largest and most dependable source of financial and technical assistance to the national family planning program, accounting for 60% of FP program costs in 1993.

No slowing in the rate at which HIV is spreading has been documented nationally. However, due to program efforts to date, many of the ingredients for impact are in place: basic AIDS control program components are functioning; government commitment is growing; 90% of Kenyan adults possess basic AIDS knowledge; 88% of men and 50% of women believe they are at personal risk; monthly sales of the USAID private-sector social-marketing condoms rose from 40,000 in 1990 to 500,000 in 1994 and distribution of USAID condoms in the public sector rose from 9 million in 1989 to 45 million in

1993; 12% of men currently use condoms in contrast to 1989 when condom use was virtually nil; and progress has been made integrating HIV/AIDS with FP/MCH services. Recent surveys suggest that behavioral changes are under way in Kenya which bode well for controlling AIDS: the practice of polygamy is decreasing, the median age at marriage is rising, and age at first intercourse for girls has risen slightly.

USAID is the lead donor supporting Kenya's efforts to increase local funding for health care and reduce dependence on foreign aid. A national cost-sharing program is now fully functioning throughout the public sector, generating about \$60,000 monthly for primary health care alone. Five countries in the region are studying Kenya's cost-sharing experience in preparation for launching similar initiatives.

Donor Coordination. Due to the leadership of USAID, a new action-oriented, consolidated population and health donor coordination group was launched in 1994. USAID is, for the first time, participating on World Bank (WB) missions in the public health sector. USAID is collaborating with the Japanese Government under the Common Agenda/Global Issues Initiative which has jointly planned a Small-Scale Grants Assistance program for Kenyan NGOs and has completed a first-ever joint assessment of the public health sector.

Constraints. The following constraints may impede achievement of this strategic objective: declining public health sector resources per capita, particularly for preventive health care; insufficient public support and understanding of the needs of youth for protection against unwanted pregnancy and STDs; and the lack of a viable female-controlled HIV/STD prevention method.

#### ENCOURAGING ECONOMIC GROWTH (\$11,791,514).

SO 2. Increase Agricultural Productivity and Farm Incomes (\$7,835,002 of which \$4,600,000 is for Economic Growth and \$3,235,002 is for Protecting the Environment).

Agriculture contributes 28% of gross domestic product, provides 60% of export revenues and employs over three-quarters of the work force. It is anticipated that the sector will absorb about 40% of the four million additional workers expected to enter the labor force by the year 2000.

Activities. USAID's strategy focuses support on technology development and transfer, fertilizer and grain-marketing liberalization, policy research, and natural-resource management. Geographic focus is on high- and medium-potential agricultural areas encompassing 20% of land area and 80% of the rural population.

Funds to protect the environment are assisting the Kenya Wildlife Service (KWS) in implementing a community conservation approach to wildlife management. KWS also provides assistance to NGOs in wildlife management, training and community development activities.

Related Activities. While land productivity has increased, labor productivity has not, which is due to rapid population growth and slow expansion of non-farm employment opportunities. Fortunately, technology-driven per-hectare yield increases have militated against an almost three percent per annum labor-productivity decline. These relationships illustrate key cross-sectoral links to the employment and population strategic objectives of USAID.

Indicators. The impact of USAID-supported activities is measured by annual growth rates of: 1) value of agricultural production per-hectare (target growth rate 3.7%); 2) value of agricultural production per-worker (target growth rate 1.1%); 3) maize yields MT/hectare (target growth rate 4%); and 4) agricultural-sector value added (annual target growth rate 4%).

Feasibility and Cost-effectiveness. Freer fertilizer and grain markets accelerate the adoption of hybrid and improved grain varieties by farmers. This, in turn, leads to increased land and labor productivity.

Land saved by increased maize productivity is then available for higher-value crops. Higher yields lead to improved food security and a larger marketable surplus. With efficient markets, this grain is able to reach deficient regions and households. Increased labor productivity stimulates not only improvement of farm technologies, but also increased consumption of goods and services from the larger economy, higher savings, and off-farm investment. The aggregate effect is stimulation of economic growth and development.

Progress in 1993-1994. Policy reforms on macroeconomic, trade and sectoral levels have improved agricultural-market performance, creating the potential for growth. The major reform during the past year was liberalization of maize marketing throughout the country, (adopted into law in December 1993). This policy change alone will do more to raise farm incomes and improve the incentive structure for farmers than any other investment. Complementary liberalization of the grain markets took place in early 1994, permitting the country's private sector to import commercial foods, thus ensuring that the country was well supplied in all markets. For the first time since 1963, there were no food queues, no panic buying or hoarding; government and relief donors were able to concentrate resources on those sections of the population who could not afford food. Macroeconomic liberalization is doing fairly well and, in tandem with agricultural sector-specific policy reform, has led to significant efficiency gains in commodity-market performance. Liberalization of the trade regime, together with unlimited access to foreign exchange, led to all-time high commercial nitrogen fertilizer imports.

Donor Coordination. Coordination of policies by donors has been instrumental in liberalization of the cereals sector with USAID leadership through its Kenya Marketing Development project. USAID is also assisting in improvement of agricultural road infrastructure along with Denmark, Sweden, and Finland. Germany provides assistance for a network of wholesale market places and the European Union (EU), Japan, United Kingdom, Germany and the WB are funding rehabilitation of Kenya's international and trunk road network.

In parks/wildlife management, major donors including the WB, the United States, Japan, the EU, the United Kingdom (UK), Germany and the Netherlands under the auspices of the WB Protective Areas and Wildlife Services Program collaborate on strengthening the management of Kenya's national park and reserve system by promoting environmentally sound tourism practices in the wildlife sector. Coordination of policies among donors has improved Kenya Wildlife Service management.

Eleven donors, including the United States, the WB, the EU and UK support agricultural research; the WB and Japan support agricultural education and extension, and the Nordic countries, the EU, Germany, the Netherlands, the International Fund for Agricultural Development, and the United Nations Development Program finance development of arid and semi-arid lands. Agro-forestry extension projects are being implemented by Denmark, the Netherlands and Sweden.

Constraints. Declining agricultural-sector growth and productivity have resulted from poor rainfall since 1990 in many key agricultural regions of Kenya. Reduced production has led to declines in per-capita agricultural production and food availability. The uncertain policy and overall economic environments also inhibit growth and productivity. Where political will has flagged, there have been instances of policy reversals and backtracking on conditionality.

### SO 3. Increase Private Enterprise Employment (#6,716,514).

Nearly 500,000 people enter the labor force every year in Kenya. Only a portion of these new entrants find jobs, leaving Kenya with a burgeoning unemployment rate, estimated at 23% in the urban areas. Two categories of private enterprises--non-traditional exporters and medium, small and micro-enterprises--are supported by USAID as high-potential employers for most of the new job seekers.

Activities. Non-traditional exports (everything except tea, coffee, and petroleum) are an area of focus because of this sector's capacity to absorb large numbers of individuals into productive employment.

USAID's Kenya Export Development Support program assists Kenyan firms and related support organizations to expand non-traditional exports. USAID has assisted more than 30 firms in areas such as overseas marketing and product-quality improvement. USAID also supports trade associations that work with the GOK to improve export incentives for industries, and promote exports through trade shows. The labor-intensive, small and microenterprise (SME) sector creates more than half of Kenya's new jobs. Hence, in FY 1995, USAID initiated the Private Enterprise Development II project which: a) targets a few major subsectors (such as agro-processing) that have potential to create many microenterprise jobs, b) strengthens Kenyan organizations which provide support services to SMEs (much of which is microenterprise lending and business association development), and c) seeks to improve markets for this sector by reducing constraining regulations.

**Related Activities.** The current Kenyan labor force numbers 11 million, and is expected to reach 14.6 million by the year 2000. There are far too few jobs being created to employ these new entrants. Curbing Kenya's high population-growth rate will narrow this discrepancy. Since nearly 40% of all SME employment is in the agro-processing subsector, increasing agriculture productivity is essential to supply raw materials for small agribusinesses.

**Indicators.** The major indicator to measure progress in achieving this objective is an increase in private-sector annual employment growth from 5.2% in 1985 to 7.0% in 1995. Complementary indicators include: a) an increase in number of non-traditional exporting firms (from 1500 in 1990 to 2000 firms in 1995); b) policy improvements for exports (reducing foreign-exchange overvaluation from 18% in 1991 to zero percent in 1995); c) policy constraints for SMEs to reduce the number of goods under price controls from 61 to zero between 1985 and 1995; and d) annual increase in profitability of small firms by five percent between 1990 and 1995.

**Feasibility and Cost-effectiveness.** USAID focuses on two areas--small enterprise development and non-traditional exports--which generate the bulk of the jobs in Kenya. SMEs provide more than half of all new jobs annually. USAID increasingly targets smaller firms because jobs created in micro-enterprises absorb more workers and require far fewer aid resources (less than \$500 per job) than those created by larger and more formal firms. Most of these new jobs stem from small loans (less than \$1,000) made at commercial rates with a 95% repayment rate.

**Progress in 1993-1994.** Non-traditional exports, as a percentage of total exports, have increased from 42% in 1989 to nearly 50% to date. This is due to an improved trade policy environment and implementation of the Duty and Value Added Tax Remission Scheme, designed to make Kenyan exports price competitive. Horticulture, which is now the fourth-largest foreign-exchange earner with a predominantly female work force, increased exports by nine percent in 1994. Under the PED project, assistance to nearly 25,000 firms has helped create about 16,000 jobs, a figure that substantially exceeds our target.

**Donor Coordination.** The Netherlands, United Kingdom and European Union are the major donors involved with small-business programs. Many donors coordinate support for technologies appropriate to small scale entrepreneurs.

**Constraints.** Maintaining the momentum of economic liberalization, which leads to higher growth rates necessary for job creation, is an immediate challenge. In addition, rapid population growth has meant that employment opportunities have not kept pace with the growing labor force.

**Cross-cutting Issues.**

#### **BUILDING DEMOCRACY (\$1,460,876).**

Consistent with the goal of promoting sustained broad-based economic growth, USAID provides assistance to democracy and governance activities. These activities include election monitoring, voter

education, training of refugees and promotion of human rights through civic education. They also serve to promote a more informed civil society, and civil and political rights.

The December 1992 multiparty elections for Kenya brought a transformation to the political system, but problems continue. The challenge remains to promote a more tolerant and effective political culture. The Strengthening Democracy and Governance (D/G) project specifically addresses these concerns. The project includes a legislative performance component to enhance quality of staff support for legislative operations and improve skills of members of Parliament. To improve accountability and governance, the project will assist the Ministry of Finance in improving the revenue collection and budgetary information system, enhancing skills of the staff of the Controller General and Auditor General offices and the members of the Public Accounts and Public Investment Committee. Other components of the project include policy analysis, through support to a newly-established Institute for Policy Analysis and Research, and a strengthening civil-society component, with support to NGOs promoting civil and political rights.

#### **Strengthening Institutional Capacity of NGOs/PVOs (\$1,000,000).**

Kenya has a large PVO community, with most of its activities focused on implementation of integrated development projects at the grassroots level. The role of these organizations is becoming more critical as the effects of structural adjustment and other socio-political issues constrain the GOK's ability to provide public services. PVOs are critical actors in the D/G arena as well as implementors of food and disaster assistance programs. One critical element in the implementation of PVO activities is the institutional capability of the organizations to carry out the work, as well as evolve into sustainable organizations. USAID supports this effort through its sectoral programs as well as through an umbrella PVO-support project. This strategy supports institutional capacity development among organizations engaged in activities consistent with USAID/Kenya's strategic objectives.

#### **Training (\$300,000).**

The Mission portfolio supports two other training activities: the Human Resources Development Assistance and Training for Development. These provide long and short-term technical training across the three USAID/Mission strategic objectives, making possible greater participation and improved sustainability.

#### **PROVIDING HUMANITARIAN ASSISTANCE (\$6,951,000).**

The P.L. 480 Title II activities address problems of food insecurity in Kenya through development and emergency programs implemented by UN and PVO partners. In addition to the three PVO partners with which the Mission is currently collaborating (Catholic Relief Services, Food for the Hungry, World Vision), two PVOs (TechnoServe, World Concern) have expressed an interest in starting up food security programs in 1996. These activities would complement agricultural productivity objectives.

Emergency programs have addressed immediate food and related emergency needs for vulnerable groups affected by drought/food deficit and civil disturbance. In 1992, resources for emergency assistance (from USAID's Bureau for Humanitarian Response) were funded at over \$27 million to 2 million beneficiaries; in 1993, over \$54 million to 1.4 million; and in 1994 over \$28 million to approximately 950,000.

#### **Other Donor Resource Flow.**

In 1993, the U.S. was the fourth largest bilateral donor and the sixth largest overall donor, providing about 7% of all bilateral and 3% of total donor funding. The leading donors in Kenya are the World Bank, the European Union, Japan, United Kingdom, Germany and the United States.

**KENYA**  
**FY 1996 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	Total
<b>USAID Strategic Objectives</b>						
<b>1. Reduce Fertility and Incidence of HIV/AIDS.</b>						
Dev. Fund for Africa	-	6,608,035	-	-	-	6,608,035
Dev. Assistance Fund	-	7,775,000	-	-	-	7,775,000
<b>2. Increase Agricultural Productivity and Farm Income.</b>						
	4,600,000	-	3,235,002	-	-	7,835,002
<b>3. Increase Private Enterprise Employment.</b>						
	6,716,514	-	-	-	-	6,716,514
<b>Cross-cutting issues:</b>						
Building Democracy	-	-	-	1,385,676	-	1,385,676
Strengthening Institutional Capacity of NGOs	400,000	400,000	200,000	-	-	1,000,000
Human Resources Dev.	75,000	100,000	50,000	75,000	-	300,000
P.L. 480, Title III	-	-	-	-	6,951,000	6,951,000
<b>Total</b>	<b>11,781,514</b>	<b>14,883,035</b>	<b>3,485,002</b>	<b>1,460,676</b>	<b>6,951,000</b>	<b>38,571,227</b>

Acting USAID Mission Director: George Jones

## MADAGASCAR

FY 1996 Development Fund for Africa Request: .....	\$30,277,152
FY 1996 Development Assistance Request: .....	\$1,000,000
FY 1996 P.L. 480 Title II Request: .....	\$3,174,000

Madagascar, the world's fourth largest island, has a population of 12 million, and is a conundrum of poverty and promise. One of the world's poorest nations with a per capita gross national product of \$223, Madagascar has moved peacefully from a dictatorship to a democratic, multi-party government while beginning to take important strides toward a liberalized, market economy. Supporting these positive trends, the USAID program is focused on accelerating economic growth through stimulating private investment and employment and sustainably balancing population growth with the country's unique natural resources. Assistance to Madagascar supports U.S. interests by promoting free enterprise development, opening new or formerly protected markets for American firms (e.g., tourism, exotic raw materials) or products (e.g., telecommunications, heavy construction and agricultural machinery), promoting democratic values and institutions, and reducing the destruction of one of the globe's most valuable sources of biodiversity with, as yet, fully unknown and unexploited agricultural, pharmaceutical, and commercial potential.

**The Development Challenge.**

Agriculture is the heart of the Malagasy economy, with rice the principal crop. High population growth (2.9%) contributes to the ongoing decline in the standard of living while severely threatening Madagascar's rich and unique ecology. Indeed, widespread poverty (it is likely that half of all households are under the poverty line) may be the largest threat to the fledgling democracy and realization of Madagascar's high economic potential. Fifty-one percent of children under five are chronically undernourished. Forty-five percent of the population is under 15. Infant mortality is also high at 125/1000 live births. These factors produce a high labor force growth rate and increasing high unemployment and under-employment levels.

This bleak picture is in striking contrast to the country's rich resource base. The adequate rainfall, reasonably good soils, agro-climatic variation, mineral wealth and good education levels found in Madagascar are inconsistent with a UNDP Human Development Indicator level of 131 (out of 173 countries) and the degree of abject poverty evident everywhere.

Transformation to a market economy began belatedly under the socialist dictatorship. Between 1988 and 1990, the economy grew by 13%. While the two-year transition to democracy which began in 1991 was important and necessary, the unfortunate side effect was putting economic growth on hold, thus further aggravating the downward poverty spiral. The recent free Presidential election and the installation of an economic reform government, however, have increased the prospects for putting Madagascar's macro-economic house in order and re-starting economic growth.

**Strategic Objectives (SOs).**

USAID's four strategic objectives are presented below. Cross-portfolio activities include a democracy and governance target to strengthen civil society, along with training and a P.L. 480 Title II program.

**ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$13,016,576).****SO 1. Establish a competitive market environment for micro and small firms (\$1,500,000).**

Madagascar's widespread poverty can only be redressed by rekindling economic growth and creating jobs for the rapidly growing labor force. Micro- and small- enterprises (MSEs), which comprise more than 90% of all registered businesses, offer the best and most equitable avenue to do both. Micro-

and small-entrepreneurs need increased access to credit, i.e., financial markets, and also to legal, judicial and business services. The USAID strategy combines financial market reform and government policy changes to create a positive enabling environment for private investment and for micro- and small- enterprise growth.

**Activities.** Subject to the availability of funds, the Mission will allocate \$24 million between FYs 1993-1998 under this strategic objective. Under an ongoing financial reform effort, USAID is working with the Central Bank to implement stable, non-inflationary monetary policies and assisting the National Postal Savings Bank (PSB) to expand and improve financial services for low-income households. A new FY 1995 micro- and small- enterprise activity will (1) provide increased business-support services to MSEs; (2) help MSEs find appropriate technologies; (3) assist the Government of the Republic of Madagascar (GRM) in revising the country's antiquated commercial code and in developing an appropriate regulatory framework; and (4) introduce simple, low-cost procedures to adjudicate business disputes, all with the goal of reducing high MSE transaction costs so they can compete in the formal market economy.

**Indicators.** The following indicators measure achievement of this objective: (1) a 300% increase in customer deposits at the Postal Savings Bank (\$14 million) by 1997; (2) a reduction in Madagascar's fiscal deficit, indicative of a broader-based tax collection system in place; and (3) an increase in the number of new Malagasy firms registered.

**Feasibility and Cost-effectiveness.** USAID works, wherever possible, with existing structures, firms and groups to serve as program retailers. For example, the PSB has more rural branches than any other private or public bank. Also, rather than a more difficult and expensive institutional development focus, USAID is emphasizing narrow, performance-related reforms to the environment in which MSEs work. Finally, the program focus is on poor savers and the smallest firms.

**Progress in 1993-1994.** In 1994, USAID's financial market reform program achieved: (a) a major restructuring of the PSB charter to respond to customer needs and to allow an increase in interest rates on deposits; and (b) government repayment of a long-standing debt of \$1.5 million to the PSB which enabled it to move into the black for the first time in recent history. Higher interest rates paid by the GRM Treasury have allowed the PSB to raise the interest rate for low-income savers to 12.8% (up from 8% at the beginning of the year), and will solidify the Bank's financial stability while raising depositor interest income. Thus, even as the economy worsened, the number of depositors grew from 254,770 on September 30, 1993, to 276,430 by November 30, 1994.

**Donor Coordination.** USAID's financial reform effort is a key piece of a broad financial sector reform effort led by the World Bank and further supported by Switzerland and Sweden. USAID's micro- and small- enterprise activities will be leveraged and divided geographically with the French, the European Union, the World Bank, several United Nations organizations and a number of international NGOs.

**Constraints.** There has been steady and important progress in liberalizing the economy, the most notable and politically courageous decision being the floating of the Malagasy currency in May 1994 which has increased export earnings for 1994 by 23%. Progress on the budgetary control side has been noticeably weaker. This has led to a larger government budget deficit and has further reduced domestic funds availability required for private sector growth.

**SO 2. Increase market access for neglected regions (\$9,191,536 of which \$8,526,576 is for Economic Growth and \$664,960 is for Building Democracy).**

Lack of market access for high potential but neglected agricultural zones has restrained Madagascar from producing the agricultural surpluses needed to generate higher incomes and to sustain higher rates of economic growth. Agricultural productivity is limited by the lack of efficient technology and inputs, while marketing is constrained by inadequate transport infrastructure. By increasing market access

of these high-potential zones, USAID will help raise small farmer incomes and boost the sales and employment of rural small and medium-sized agribusinesses.

**Activities.** A commercial agricultural promotion program will: (a) help rural-based small- and medium-sized agribusinesses identify new markets and improve productivity and output; and (b) rehabilitate 420 miles of farm-to-market (tertiary) roads in two high-potential but neglected regions. A complementary program will encourage local participation through public and private sector partnerships to build, rehabilitate and maintain rural market infrastructure for agribusiness (e.g., storage processing, transportation).

**Indicators.** Indicators of success are: (1) a 50% increase in the production of select off-season crops and of 30% for secondary crops by 1999; and (2) increases in total petroleum sales and truck registrations in two high-potential zones (baseline data is being collected).

**Feasibility and Cost-effectiveness.** The USAID investment of nearly \$40 million over the next five years will: (1) reduce market transport costs substantially through the rehabilitation of 420 miles of farm-to-market roads; (2) generate new sales by agribusiness firms working with producer groups, increase production of key agricultural commodities by 20% to 50%, thereby boosting small farmer incomes; (3) raise employment among small- and medium-sized construction firms; and (4) increase market access of rural households. The funding for road maintenance addresses a key, yet neglected, aspect of previous donor road projects. For all activities, local beneficiaries actively participate in project activities and have a stake in achieving results.

**Progress in FY 1993-1994.** Past USAID agricultural efforts show that farmers using new rice varieties can double yields without fertilizer and achieve 300-400% increases with fertilizer and that rural-based enterprises can generate production and sales with appropriate technical assistance. Moreover, as a result of USAID-supported agricultural marketing reforms, farmers have proven responsive to the new liberal policies and increased production for markets. The number of produce collectors increased 50% in Fianarantsoa and 66% in Mahajanga from 1990 to 1992 while prices paid to farmers increased 50% and 100% respectively. The Mission's new agricultural promotion, road rehabilitation and infrastructure activities start in 1995.

**Donor Coordination.** The World Bank and the European Union will construct and/or rehabilitate key primary and secondary roads into which the USAID farm-to-market roads will feed. The World Bank and the French are also supporting institutional strengthening and urban infrastructure development in four urban areas within USAID's two high-potential zones.

**Constraints.** Madagascar's agricultural productivity is affected by adverse weather conditions, including both drought and cyclones, such as last year's Cyclone Geraldine which dramatically reduced national rice production in 1994. USAID support for importing and disseminating better production technologies, inputs, equipment and storage techniques should raise productivity so that the country as a whole can accumulate the stocks needed to cope with poor weather.

#### **PROTECTING THE ENVIRONMENT (\$11,979,300).**

##### **SO 3. Reduce natural resource depletion in target areas (\$11,979,300).**

Madagascar's natural resource base is seriously threatened by human poverty and unsuitable government policies. Slash-and-burn agriculture has destroyed over 80% of the tropical forest cover and is converting needed soil nutrients into greenhouse gases which, in turn, impact negatively on global climate change. Soil erosion is among the worst in the world. The destruction of this treasure trove of biodiversity, the loss of habitat and the related extinction of rare plants and animals is of global concern, especially with regard to new materials needed for advances in agriculture and medicine.

**Activities.** USAID's approach is to integrate conservation and development activities into the lives of the people who live around national parks and forests. In order to preserve tropical forests and biodiversity, rural people must take responsibility for managing their natural resources in non-destructive and sustainable ways. USAID is also building the capacity of local Malagasy conservation groups and helping bring about policy reforms which empower local populations and give them a share of the benefits of park entry and forest cutting fees, have created Madagascar's first environmental impact assessment law, and will establish an innovative private environmental foundation. Support is also provided through a debt swap arrangement to support agro-forestry extension, tree planting and campaigns against wildfire, .

**Indicators.** The indicators for achieving this objective are: (1) a reduction in expected forest loss by 8.6 million acres by the year 2000; and (2) 40% of target households in environmentally sensitive areas adopt sustainable, income-producing methods by the year 2000.

**Feasibility and Cost-effectiveness.** The economic costs associated with environmental destruction and natural resource depletion in Madagascar are alarmingly high. The cost of decreased agricultural productivity due to soil loss and fertility decline, the loss of productive forests, damage to infrastructure due to soil erosion, and costs associated with infrastructure maintenance and repair is estimated at \$290 million annually or 15% of Madagascar's gross domestic product. Only 24.2 million acres of forest cover remain right now. By the year 2000, in the absence of conservation programs, it is calculated that over half of that forest cover, an additional 12.2 million acres, and the associated biodiversity will be destroyed forever. Also, USAID's approach is to work through U.S. private voluntary organizations (PVOs) and Malagasy environmental non-governmental organizations (NGOs) and to insist on close participation of beneficiaries in all local activities.

**Progress in 1993-1994.** Six major integrated conservation/development projects now have teams working in and around national parks enhancing conservation awareness and reducing encroachment pressures. Alternative technologies used by villagers for employment and income diversification include tourism, agro-forestry, fish farming and beekeeping. As a result of USAID-supported regulatory changes, local populations now receive 50% of all national park entrance fees to use for local projects such as building health clinics and schools, thus making a clear link between development needs and conservation. Additionally, 400 environmental protection agents have been trained and assigned to rural forest areas through a debt swap program with the World Wildlife Fund. Also, the USAID-supported institution responsible for the coordination of activities in national parks and their peripheral zones has become an increasingly able and effective institution.

**Donor Coordination.** The National Environmental Action Plan is the framework for donor-government coordination. Other major donors include Germany, France, Switzerland, UNDP, FAO and the World Bank. U.S. PVOs and universities are also major actors, especially at the field level. As the lead donor in biodiversity and in terms of financial and staff resources, USAID regularly calls and chairs donor coordination meetings. Coordination in the environmental sector in Madagascar is excellent.

**Constraints.** The foremost constraint is rapid population growth and the mounting population pressures on the land and the natural resource base. Many Malagasy decision-makers are still unaware of the strong link between natural resource management and economic sustainability. Priority attention and sufficient resources are not allocated by the GRM for the management of the natural resource base.

**STABILIZING POPULATION GROWTH (\$5,416,316 of which \$4,416,316 DFA and \$1,000,000 DAF).**

**SO 4. Reduce total fertility (\$8,006,316 of which \$2,590,000 is for Economic Growth and \$5,416,316 is for Stabilizing Population Growth).**

Madagascar's current annual population growth rate is 2.9%. At this rate, the 1993 population of 12 million will double in 24 years. This poses a serious obstacle for development in Madagascar as the

island's carrying capacity is limited by low productivity agriculture. In addition, such growth requires unprecedented increases in jobs, health care services and schools, all of which are inadequate to meet present needs.

**Activities.** The program focuses on the rapid expansion of high quality family planning with an increasing emphasis on maternal and child health services. Support to child survival activities will focus on diarrheal disease, nutritional practices, respiratory illnesses, and essential vaccinations, all of which reduce desired family size.

**Indicators.** The prime family planning success indicator is the reduction in the average number of children born per woman from 6.6 to 5.8 by 1999. This will be achieved through an increase in the contraceptive prevalence rate from 3% to 18% by 1999 and in couple-years of protection of 380,000 in 1998, and a measurable reduction in childhood undernutrition (to be determined).

**Feasibility and Cost-effectiveness.** Investments in population programs have a direct impact on reducing major social service expenses (e.g., schools, hospitals), while easing the pressures on urban zones and on job creation. USAID's population program will meet the high unmet demand and enable women to space births properly, reduce the number of high risk births which contribute heavily to maternal and infant mortality, and also reduce the strain on the environment and the economy caused by excessive population growth. In addition, USAID is using low-cost Malagasy NGOs and existing health service structures to expand services.

**Progress in FY 1993-1994.** Earlier USAID support (1988-1992) of family planning services has already contributed measurably to the dramatic drop in the total fertility rate to 6.1 in 1992. Initial efforts have strengthened organizational structures, increased collaboration with family planning organizations, and defined appropriate strategies and approaches. At the same time, protection from contraceptives provided through public and non-governmental organization sectors has increased from 82,000 couple-years of protection in 1992 to 125,000 in 1994. The number of clinics providing family planning services has tripled, from 72 in 1987 to 205 in 1993.

**Donor Coordination.** USAID is the lead donor in family planning and works closely with UNFPA, UNICEF, the European Union, the World Bank, Japan and other bilateral donors in support of population and health programs in Madagascar.

**Constraints.** The health service system in Madagascar is extremely weak, particularly in the public sector; most rural people have no access to health care. Clinical staff at all levels are poorly paid, motivated and trained.

#### **BUILDING DEMOCRACY (\$864,960).**

Following its successful support activities for four national elections during the transition to democracy, USAID is targeting assistance for Madagascar's emerging, but active, civil society to deepen the nascent democracy. USAID supports ongoing poverty analysis to assist the GRM to determine effects on the poor from major policy changes.

#### **PROVIDING HUMANITARIAN ASSISTANCE (\$3,174,000).**

USAID also provides food assistance through Catholic Relief Services to maternal and child health centers, elementary schools and other institutions, such as orphanages, under its Title II program. Starting in FY 1995 greater emphasis is being placed on upgrading the nutritional aspect of the program and more carefully measuring and monitoring the impact on children. Title II commodities (rice, cooking oil and corn/soya flour) are distributed throughout the country, well utilized and work

towards assisting Madagascar to feed those most in need while the government struggles to stabilize and strengthen the economy under a newly elected, democratic regime.

**TRAINING (\$200,000).**

Key to USAID's strategy is the development of human resources to sustain development momentum. In addition to those training activities included under each strategic objective, USAID also supports long and short-term training in the United States and Madagascar. As one example, short-term training of senior GRM telecommunications officials has led to a better appreciation of advanced technologies, an updated telecom master plan (prepared by a U.S. consulting firm) and a regulatory framework which will allow U.S. firms to compete in a market previously closed to their participation.

**Other Donor Resource Flows.**

In FY 1994, the United States provided about 10% of all donor assistance to Madagascar. The other major donors are: the World Bank, the IMF, France, the European Union, Switzerland, the United Nations agencies, Italy, Germany and Japan.

**MADAGASCAR  
FY 1996 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	Total
<b>USAID Strategic Objectives</b>						
1. Establish a Competitive Market Environment for Micro/small- Firms.	1,500,000	--	--	--	--	1,500,000
2. Increase Market Access for Neglected Regions.	8,526,576	--	--	664,960	--	9,191,536
3. Reduce Natural Resource Depletion in Target Areas.	--	--	11,979,300	--	--	11,979,300
4. Reduce Total Fertility.						
Dev. Fund for Africa	2,590,000	4,416,316	--	--	--	7,006,316
Dev. Assistance Fund	--	1,000,000	--	--	--	1,000,000
<b>Cross-cutting issues:</b>						
Poverty Analysis	200,000	--	--	--	--	200,000
Strengthen Civil Society	--	--	--	200,000	--	200,000
Human Resources Dev.	200,000	--	--	--	--	200,000
PL 480, Title II	--	--	--	--	3,174,000	3,174,000
<b>Total</b>	<b>13,016,576</b>	<b>5,416,316</b>	<b>11,979,300</b>	<b>864,960</b>	<b>3,174,000</b>	<b>34,451,152</b>

USAID Mission Director: Donald R. Mackenzie

## MALAWI

FY 1996 Development Fund for Africa Request: ..... \$34,973,986  
 FY 1996 Development Assistance Fund Request: ..... \$500,000

U.S. assistance to Malawi supports U.S. interests in a political and economically prosperous Southern Africa, by promoting Malawi's democratic system of governance, private sector-led free-market development, and USAID's global health, population and environmental objectives. In spite of severe development problems, there is hope and opportunity for USAID to provide assistance that will strengthen the country's economic and political institutions and further broaden U.S. foreign policy objectives associated with the advancement of a growing, politically open and prosperous Africa. The most significant recent event was the free and fair presidential and parliamentary elections in May 1994 following thirty years of authoritarian one-man, one-party rule. With political democracy a fragile, but real achievement, the new government realizes that public support will fade quickly without demonstrable economic progress. Consequently, it is aggressively dismantling and privatizing state-owned enterprises, as well as the policy apparatus and bureaucracy that stifled private enterprise development. Simultaneously, it is attacking rural poverty through self-help and policies that encourage income generation in rural communities. Failure to free the private sector and reduce rural poverty will undermine Malawi's fledgling democracy.

#### The Development Challenge.

Malawi is a small landlocked country with a narrow economic base and some 10 million people, 85% of whom live in rural areas and depend on agriculture. With over 60% of its people earning less than \$40 per year, Malawi is one of the world's poorest nations. Population growth (3.2%) and the infant mortality rate (134 per 1,000) are among the highest in Africa. High population density and traditional agricultural techniques lead to small land holdings, deforestation, overworked soils, and poor output. Education levels are low, particularly for women but are improving rapidly due largely to U.S. support for basic education. A low level of urbanization, small industrial sector, and transportation costs that are among the highest in the world combine to maintain agriculture as the primary sector of the economy, with maize and burley tobacco the principal crops. Agriculture, however, is highly dualistic, with a large subsistence sector and much smaller, but relatively well-developed estate sector. Malawi's macroeconomic economic policy priorities, as set forth in the recent Government of Malawi's (GOM) *Growth through Poverty Reduction* initiative is sound. In addition, macroeconomic management is marked by aggressive and realistic fiscal management, good monetary policy, and market-determined exchange rates. Economic distortions, particularly in agricultural marketing, are being reduced significantly with USAID's help. Structural reform has begun in agriculture, with clear benefits accruing to the poor majority. Enrollment in primary education has increased markedly, again with financial support from USAID.

#### Strategic Objectives (SOs).

USAID is pursuing the following four strategic objectives in Malawi. In addition, the program consists of activities in training, transportation, and democratic participation that cut across sectoral boundaries, and are necessary to achieve these strategic objectives.

#### ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$24,023,916).

SO 1. Increase agricultural productivity and production (\$11,205,816, of which \$7,623,916 is for Economic Growth and \$3,581,900 is for Protecting the Environment).

Agriculture is the largest income-producing sector in Malawi, with more than 85% of Malawians living and working in rural areas. Low smallholder productivity, and virtually no competition in input and

output markets, are the major constraints to national and household food security and increasing incomes in rural Malawi. Therefore, by expanding production alternatives and market access in agriculture, USAID programs can directly impact on rural incomes while promoting environmentally sound policies. Increasing rural incomes is key to achieving USAID's other strategic objectives.

**Activities.** Agricultural sector activities seek to increase smallholder production and incomes by encouraging smallholders to grow crops of their own choice and to market those crops freely. This has allowed farmers to increase cash income. The Agricultural Sector Assistance Program (ASAP) uses policy dialogue and technical assistance to encourage continued liberalization in the agriculture sector, specifically in changing policies which have discriminated against smallholders. USAID-supported agricultural research is developing and disseminating technological innovations, such as agroforestry techniques that will increase crop production and reduce soil erosion. The program also is developing rural for-profit and non-profit organizations that deliver a variety of agricultural services. In addition, USAID's Southern Africa Regional transportation activities support the Mission's agricultural sector objectives by opening/reopening transport routes and increasing cargo carrying capacity and efficiency. Other regionally funded activities operating in Malawi under the auspices of the 11-nation Southern African Development Community (SADC) include the Southern Africa Rootcrops Research Network (SARNNET). The purpose of SARNNET is to increase the productivity of cassava and sweet potato grown by smallholder farmers in the resource-poor areas of Southern Africa through the adoption of improved varieties and practices and the strengthening of national root crops research program capabilities.

**Related Activities.** Research has demonstrated strong links between investment in education and improved agricultural productivity, health and nutrition status and reduced fertility. Thus, activities in the education sector play a significant support role in all USAID strategic objectives in Malawi. Education activities have increased enrollment of girls, efficiency within the primary education sector, and investment in schools and teacher training facilities.

**Indicators.** The indicators for measuring progress toward achieving this objective are to: (1) increase gross food crop production from 1.6 million metric tons in 1985 to 2.6 million in 1995; and (2) increase average maize production from 1.2 tons per hectare in 1985 to 1.4 tons per hectare in 1995.

**Feasibility and Cost-effectiveness.** To move beyond low-level subsistence agriculture, Malawi needs to intensify food production and to increase smallholder cash crop productivity. Success in these areas will free-up land that can then be devoted to cash crops. Suitable high-yielding maize varieties, improved agroforestry practices, and alternative low-input food crops are available, and are gradually being adopted. Adoption rates can and must be accelerated. Reform of agricultural marketing arrangements will hasten the takeover by the private sector of seed and fertilizer marketing for small farms, which will increase competition and lower prices. Current technologies will allow a 50% increase in yield/area for the next decade, and thus permit a similar rate of increase in cash crop acreage. USAID-supported policy reforms are liberalizing cash and food crop marketing regulations and price controls, allowing smallholders to market larger quantities at higher prices.

**Progress in 1993-1994.** USAID's agriculture and drought relief activities contributed directly to a dramatic increase in use of high-yielding variety (HYV) maize in 1992/1993 and a tremendous increase in production of drought resistant crops. USAID provided, *inter alia*, seed and fertilizer packs to jump start food production for the most seriously affected. This resulted in a bumper crop 16% larger than the largest previous harvest. However, slippage in the 1993-1994 growing season occurred with renewed drought. Private sector distribution of seed and fertilizer increased from 25% to about 40% of market share and prices fell due to increased competition. Cash crops produced by smallholders and sold at international auction increased from 31% to 83% of total smallholder production, indicating a massive move away from the monopolistic parastatal marketing company. Cash earnings are having positive effects on rural incomes directly and indirectly through increased purchases of inputs for food

and cash crop production, increased demand for goods and services, increased demand for labor and certain types of land, and increased investment in rural microenterprises.

**Donor Coordination.** Both the World Bank and the European Union have programs that contribute to the achievement of this strategic objective. The World Bank funds an Agricultural Services Project that supports development and dissemination of productivity-increasing technologies. In addition, it also supports the Malawi Rural Financial Services Project, which seeks to transform rural and agricultural finance into a private sector operation. The European Union is helping Malawi to improve food security through expanded smallholder use of fertilizers, and the promotion of improved land husbandry techniques. USAID works closely with these and other donors in tracking developments in the agriculture sector as part of collaborative donor coordination across all sectors.

**Constraints.** Malawi risks repeated drought and other natural calamities, but expansion of drought resistant crops and soil protection technologies are having a positive impact. A conducive policy environment coupled with availability of technologies and competitive input and product prices will help the rebuilding of stocks. Over-reliance on tobacco as a cash crop puts the country at risk of unfavorable market trends. Instability in Mozambique has denied Malawi access to safe and economical transport to and from world markets.

In addition to addressing broad-based economic growth, this strategic objective will also address environmental and wider U.S. national interests goals by improving soil conservation, agroforestry, and environmental monitoring efforts. Two years ago, investments in drought resistant crop varieties, liberalization of markets, and famine early warning systems lessened the impact of Malawi's most serious drought in a century and enabled the country to rebound with record harvests when the rains resumed. Moreover, USAID plans training programs in the amount of \$900,000. These activities provide training and technical assistance to improve the institutional efficiency and planning capacity of both the private and public sectors in Malawi.

### SO 3. Reduce infant and child morbidity and mortality (#2,300,000).

Mortality data indicate a very serious child survival problem in Malawi. The 1992 demographic and health survey showed nearly half of all children under age 5 are stunted, and about half of these severely stunted. Low weight for height was found in 5% of these children, with over 1% severely wasted. Malaria, diarrhea, and acute respiratory infections are the principal causes of child deaths, and deaths from AIDS are becoming significant. Improved child survival also contributes significantly to the fertility reduction objective, because an increase in children surviving leads to fewer births. In addition, it contributes to the food security objective -- fewer children mean fewer mouths to feed.

**Activities.** To reduce infant and child mortality, the program focuses on increasing clean water supplies in rural areas and the timely, accurate, and effective diagnosis and treatment of malaria. This includes training large numbers of new health workers, increasing health service delivery in rural areas, and improving the efficiency of decentralized health service delivery.

**Indicators.** The indicators for measuring progress toward achieving this objective are: (1) decrease infant mortality from 151.0 deaths per 1,000 in 1984 to 100.0 deaths per 1,000 in 1998; and (2) decrease under-5 mortality rates from 258.0 deaths per 1,000 in 1984 to 150.0 deaths per 1,000 in 1998.

**Feasibility and cost-effectiveness.** Malaria treatment and prevention, increased access to safe water, and increased community-based strategies to promote better health and sanitation practices such as encouragement of breast feeding for longer periods and use of oral rehydration therapy are low cost, and easily sustainable actions that have been shown to have considerable positive impact.

**Progress in 1993-1994.** Child morbidity rates dropped slightly. USAID-sponsored research resulted in making Fansider (or sulfadoxine pyrimethamine) the recommended treatment for malaria, and it is available without prescription. However, the price is relatively high in relation to the per capita income in Malawi. The USAID program will develop less-expensive alternatives for distributing the drug, while it also accelerates income generating activities. The 1992 demographic and health survey reported that over half of children suffering from diarrhea were treated at home with some form of oral rehydration therapy. USAID assistance has enabled the Ministry of Health to provide training for community health assistants, and to deliver child survival services to underserved rural areas. The infant mortality rate is now 134 deaths per 1,000 live births, which exceeds USAID's planned reduction to 135.8 by 1995. The under five mortality rate reached 234 per 1,000 as compared to 246 per 1,000 five years ago.

**Donor Coordination.** USAID is a leader in the Health Donor Coordination Group, which meets regularly and holds coordination meetings with Ministry of Health officials. The World Bank finances a population/health/nutrition sector credit that finances infrastructure development conducive to greater decentralization and rationalization of health services. USAID jointly programs some resources with the United Nations' International Children's Emergency Fund (rural health delivery, diarrheal diseases and nutrition), Britain's Office of Development Assistance and the United Nations' Family Planning Agency (family planning and education).

**Constraints.** A shortage of health care workers, the high price of malaria and other basic drugs, and insufficient access to potable water are constraints to improving health status. Other constraints include a dearth of rural transport services to facilitate access to clinics. USAID is expanding its activities to include private health providers and non-governmental organizations (NGOs) in service delivery to accelerate an improvement in rural health status.

#### **SO 4. Control the spread of AIDS (\$5,400,000).**

AIDS is rapidly becoming a major cause of death in Malawi. Especially hard hit are children under five and young adults aged 20-35. Currently, an estimated 14% of the adult population tests positive for the human immunodeficiency virus (HIV), and projections are that two percent of adults are infected annually. Thirty percent of urban adults are infected and the spread of the disease in rural areas is currently the fastest known. An additional 555,000 deaths from AIDS are expected by the year 2005. Without AIDS, life expectancy would have reached 53 years by 2000-2005; with AIDS, life expectancy will be only 45.4 years. AIDS will have a devastating impact on development efforts, exacerbating an acutely short supply of trained human resources, straining health care resources, and reducing work-force productivity.

**Activities.** USAID's fertility reduction and AIDS prevention and control activities support government and private sector efforts. Programs in AIDS control support Malawian efforts to inform people about risks and transmission of the AIDS disease in order to change behavior. This includes increasing the supply and appropriate use of condoms, increasing access to education, counselling and AIDS prevention materials, and reducing the incidence of related sexually transmitted diseases. By integrating AIDS control and family planning activities, USAID achieves economies of scale as multiple-service delivery channels are created.

**Indicators.** The indicators for achieving this objective are: (1) reduce the rate of increase in HIV prevalence among urban clients from 30% in 1993 to 27.4% in 1998; (2) reduce HIV prevalence among rural clients from 14.0% in 1993 to 8% in 1998; and (3) increase condom use among males age 15-24 from 7% in 1992 to 35% in 1998.

**Feasibility and Cost-effectiveness.** The feasibility of reversing infection rates depends on educating and mobilizing political, religious, and medical forces to recognize the severity and complicated social and medical nature of AIDS. USAID-financed, expert assistance and data analysis has enabled the Malawian government to aggressively attack the challenges of behavior change and disease control.

Working with the GOM's National AIDS Control Program, USAID has mounted a new program to mobilize resources across sectors that will increase condom use and control the spread of other sexually transmitted diseases, the two areas to date which have shown to be most effective in combatting the transmission of AIDS.

Progress in 1993-1994. The number of AIDS victims and HIV-infected individuals continues to increase rapidly. HIV presence among pregnant women at one clinic stood at 32% in early 1994. A 1993 survey of 12 rural districts found a 12% seropositivity rate, compared with 8% a year earlier. New AIDS cases and annual deaths from AIDS are expected to rise steadily for the next 5-10 years. The 1992 demographic and health survey indicated that only 6.3% of currently married men report using condoms. However, more recently sales have reached 250,000 units per month, well above the target of 2.0 million annually. This is a result of progress in promoting behavioral messages in a variety of ways, including direct advertising for condoms.

Donor Coordination. Other donor support for this strategic objective is part of the agenda of the Health Donor Coordination Group, which is discussed under strategic objective number two.

Constraints. In spite of a dramatic increase in public awareness of AIDS, behavioral change occurs slowly. Positive impact from tomorrow's behavior change will take nearly a generation to register. As the health situation of those already infected deteriorates, Malawi will face the continued depletion of its most important human resources, men and women aged 20-40.

**STABILIZING WORLD POPULATION GROWTH (\$6,415,250 of which \$5,915,250 DFA and \$500,000 DAF).**

**SO 2. Reduce fertility (\$13,415,250 of which \$7,000,250 is for Economic Growth and \$6,415,000 is for Stabilizing Population Growth).**

Although the total fertility rate dropped from an estimated 7.2 children per woman in 1984 to 6.7 in 1992, overall fertility remains high, with pockets of very high fertility persisting in rural areas. As one of the world's poorest countries, Malawi can sustain neither a rapid population growth rate nor the debilitating effects on maternal and child health which result from such high fertility.

Activities. USAID's fertility reduction and AIDS prevention and control activities finance government and private sector efforts. By integrating AIDS control and family planning activities, economies of scale are realized and multiple-service delivery channels are created. USAID is implementing a major effort in child spacing to improve maternal and child survival. This includes supporting public and private family planning and girls education efforts, specifically increasing the knowledge, supply, and use of family planning and child spacing services. Training and activities to help institutions work more efficiently, enhance program sustainability.

Indicators. The following indicators measure achievement of this objective: (1) reduce total fertility from 7.2 in 1984 to 6.0 in 1998; (2) increase contraceptive prevalence rate from 1.0% in 1984 to 20% in 1998; and (3) increase girls' gross enrollment rate in primary schools from 74% in 1984 to 125% in 1998.

Feasibility and Cost-effectiveness. Achieving this objective, together with the child survival objective, will move Malawi into a demographic transition. The registered rates of change in total fertility, contraceptive prevalence, and child mortality are consistent with one another and are moderately encouraging given the low income of Malawi and the social repression of the recent past. The costs of putting in place contraceptive delivery, child spacing, and child survival services in Malawi are small in relation to the benefits of future reduced costs in health and education services. Fertility reduction also increases the potential for cash crop production given reduced subsistence food requirements due to smaller family size.

**Progress in 1993-1994.** The contraceptive prevalence rate increased to 7.4%. However, knowledge of modern contraceptive methods increased to 92% among married women and surveys indicated a large unmet demand for contraception. The new Malawian Government liberalized health services, child-spacing policies, and contraceptive guidelines to provide easy access to child-spacing services. The female primary school enrollment rate rose dramatically, from 74% of the girls in a given age cohort enrolled in primary school in 1984 to over 125% in 1994, exceeding the 1998 target. This is attributable to USAID activities directed at girls' education. The 1992 demographic and health survey documented that better educated women have fewer children than less educated ones.

**Donor Coordination.** Other donor support for this strategic objective is part of the agenda of the Health donor coordination group that was discussed under strategic objective number two. As a result of its related work in primary and girls' education, USAID/Malawi chairs the donor coordination group on education.

**Constraints.** While it is believed that Malawians are ready for rapid cultural change after years of repression, the rate of reproductive behavioral change is harder to predict. Moreover, there are still strong social and religious elements which resist the use of modern contraceptive methods for population control.

#### **Cross-cutting Issues.**

#### **BUILDING DEMOCRACY (\$1,402,920).**

Because of the interrelationship between political and economic democratization, USAID focuses resources throughout its portfolio on increasing the participation of Malawians in both transparent and accountable political institutions and economic opportunities. In addition, USAID plans to continue providing assistance for democracy and governance activities to help consolidate Malawi's fragile democracy. Since the successful outcome of the 1994 multiparty elections, USAID assistance has moved beyond electoral support into judicial and constitutional reform, political party development, and fostering of civic and human rights educational organizations. These activities are aimed at empowering Malawians to assert and realize their new freedoms and opportunities in the economic, political and human rights spheres.

#### **Other (\$1,800,000).**

USAID plans to obligate \$700,000 to training programs--discussed under economic growth--and \$1,100,000 to support activities to strengthen indigenous NGOs. From the latter figure, a total of \$1,000,000 supports economic growth, \$50,000 will be dedicated to protecting the environment, and an additional \$50,000 will contribute to building democracy.

#### **Other Donor Resource Flows.**

In FY 1994, the United States provided about 10% of all donor assistance to Malawi, making it the largest bilateral donor. Other major donors are: the World Bank, the International Monetary Fund, the European Union, the United Kingdom, Germany, and Japan.

**MALAWI**  
**FY 1996 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Total
<b>USAID Strategic Objectives</b>					
1. Increase Agricultural Productivity and Production.	7,623,916	--	3,581,900	--	11,205,816
2. Reduce Fertility.					
Dev. Fund for Africa	7,000,000	5,915,250	--	--	12,915,250
Dev. Assistance Fund	--	500,000	--	--	500,000
3. Reduce Infant and Child Mortality and Morbidity.	2,300,000	--	--	--	2,300,000
4. Control the Spread of AIDS	5,400,000	--	--	--	5,400,000
Cross-cutting Issues:					
Democracy/Governance	--	--	--	1,352,920	1,352,920
Human Resources Dev.	700,000	--	--	--	700,000
NGO Support	1,000,000	--	50,000	50,000	1,100,000
<b>Total</b>	<b>24,023,916</b>	<b>6,415,250</b>	<b>3,631,900</b>	<b>1,402,920</b>	<b>35,473,986</b>

USAID Mission Director: Cynthia F. Rozell

## MALI

FY 1996 Development Fund for Africa Request: . . . . .	\$34,990,331
FY 1996 Development Assistance Fund Request: . . . . .	\$800,000
FY 1996 P.L. 480 Title II Request: . . . . .	\$309,000

Mali is a landlocked country of nine million people straddling the savanna and desert in West Africa. Its per capita Gross Domestic Product of \$310 has decreased by 2.7% annually since 1980. Mali has one of the best records in West Africa in carrying out economic reform, earning the respect and confidence of the international community. It has, in addition, made significant progress in creating a true democracy following more than twenty-two years of military dictatorship. U.S. assistance in Mali supports U.S. interests in democratic governance, free market development and food security.

**The Development Challenge.**

Mali's high population growth rate of 3% and its extremely high fertility rate of 7.1 are obstacles to improving living conditions. Health conditions are among the poorest in the world, with 102 out of every 1,000 children dying before the age of one. Only 30% of children and 22% of girls attend primary school. As a result, the literacy rate is one of the lowest in the world.

Mali became a parliamentary democracy in 1992 and is struggling to establish democratic institutions. It will take time for Malians to be convinced of the capacity of these institutions to resolve the country's problems. As the national Government decentralizes power to local communities and regional bodies, and as these institutions gain the power to address their own problems, the population is becoming more confident in the entire system of governance. The survival of democracy in Mali has been challenged by an ongoing rebellion by minority populations in the North and the efforts by well-organized interest groups to impose their agenda on the Government.

**Strategic Objectives (SOs).**

USAID is pursuing three strategic objectives in Mali. In addition, the program consists of activities in training, and democracy and governance which cut across sectoral boundaries in support of these objectives.

**ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$28,269,345).****SO 1: Increase private sector participation in the economy (\$7,000,000).**

While the Malian Government has made significant progress in liberalizing the economy, the business environment still discourages many Malians from participating formally in the private sector. This objective focuses on changing the role of government from one of controlling business and taxing away profits to one of supporting business development. Through activities supporting this objective, USAID is helping expand opportunities for Malians to participate in the formal private sector, leading to increased incomes and broad-based economic growth.

**Activities.** USAID efforts to help the Malian Government better support business, include reform of the budget process, deregulation of business, and the creation of functioning commercial and administrative courts. To help decrease the Government's burden on the economy, the Mission is helping streamline the tax code, supporting the liberalization of rice markets, prompting the privatization of rice mills, creating a market information system, encouraging lending to rural women for small loan activities, providing credit to grain traders, and training artisans and other private business people in management. The Mission is also working to improve the institutional capacity of Malian non-governmental organizations (NGOs), through grants to U.S. private voluntary organizations (PVOs) such as Save the Children and World Education, to engage in these activities.

**Related Activities.** Increasing the productivity of labor is necessary for the private sector to become more competitive. USAID's initiative to improve basic education, especially for girls, limit the spread of AIDS, and improve the delivery of health services will develop the human capacity needed for greater productivity. The Mission's efforts to train government officials to perform audits and improve financial management will also help the private sector to operate more efficiently.

**Indicators.** Indicators include: 1) increasing private investment in the economy from \$150 million in 1989 to \$340 million in 1996; and 2) increasing budget revenues from \$171.2 million in 1988 to \$340 million in 1996, through increasing the tax base and establishing equitable rates.

**Feasibility and Cost-effectiveness.** The Malian Government is committed to taking the difficult steps necessary to stabilize and adjust the economy, as shown by its satisfactory progress in meeting IMF and World Bank conditions. Nevertheless, overvaluation of the currency, an issue beyond the full control of the Government, discouraged investment activities through 1993. Since the early 1994 devaluation, the private sector has had a greater incentive to invest. In this environment, USAID's efforts to help the private sector will translate into increased revenue for producers and suppliers, increased employment, and greater commercial activity. By helping the Government increase its revenue through lower tax rates and an increased number of taxpayers, USAID will encourage businesses to move from the informal to the formal sector, thereby increasing their access to credit and business services.

**Donor Coordination.** The structural adjustment program being carried out by the Malian Government is a multi-donor effort supporting the operation of an appropriate macroeconomic, legal and regulatory framework to encourage formal private sector investment. In efforts to directly promote the private sector, USAID is coordinating closely with the World Bank, which funds a private sector development project. The Mission works closely with the World Bank and the French in supporting the development of small-scale business cooperatives. Cooperation among the donors is extraordinarily close on cereal market liberalization, health and education.

**Progress in 1993-1994.** USAID has made a modest but important contribution to creating an appropriate environment which encourages formal private sector investment. The creation of commercial and administrative courts, which would not have existed without USAID investment, has increased the confidence of private sector actors, as demonstrated by the hundreds of cases litigated within the last two years. USAID's involvement in streamlining regulations and making the budget process more rational and transparent is contributing to an improved business climate. In 1993, progress was minimal in increasing both formal private sector investment and government revenues, due to the overvalued currency and oppressively high tax rates. As a result of the January 1994 devaluation, investment is expected to jump from 12.6% to 14.1% of GDP. By the end of 1994, the Government decreased income tax rates by ten percentage points in order to increase investment incentives.

**Constraints.** Corruption and fraud remain major constraints to economic development through the private sector in Mali. The corrupt regime that was in power for twenty-three years encouraged attitudes conducive to fraud. But after three years of democratic rule and some serious efforts on the part of the Government to fight this scourge, significant improvements have been made. With the reorganization of the Customs Service, the hiring of 300 new agents and the use of special units to seize contraband goods from retailers, customs receipts increased 150 per cent during the first quarter of calendar 1994. Still, the new government's challenges remain in imposing regulations, collecting taxes, and fighting a culture where corruption was previously tolerated and encouraged many businesses to operate informally.

**SO 2. Increase incomes in areas of high productive potential (\$12,962,234: of which \$10,000,000 is for Economic Growth and \$2,962,234 is for Protecting the Environment) .**

Eighty percent of Malians live in the rural areas, where they are dependent on agricultural production for their meager incomes. While Mali is an arid country, its land and water resources could be used more efficiently and in a more sustainable manner. In this context, increased agricultural production is essential to increasing incomes, fighting poverty, and ensuring Mali produces sufficient food for its population. Through better management of human and natural resources in rural areas, USAID is helping to increase incomes, which is vital to building broad-based, sustainable and environmentally-sound economic growth in Mali.

Activities. The Mission's efforts are designed to reform grain and rice markets and to privatize rice mills. USAID funded agricultural research and extension activities, and assisted 24,000 farmers to use fertilizer in methods identified by this research; assisted in the promotion of livestock, fruit and vegetable exports. With USAID assistance to training, technology development and transfer, Mali broke into the European vegetable market in 1994. USAID provides support for policy reform and training to the animal export sector and assists rural women through support to private credit associations and village banks.

Related Activities. Through investing in people in the rural areas--encouraging adult literacy and numeracy, boosting primary school enrollment, promoting girls' schooling and providing training in family planning--USAID is increasing the capacity of Malians to work more productively and increase their earnings. The Mission also supports programs to reduce child and maternal mortality, problems that have a significant impact on the ability of families to meet their own needs.

Natural resource protection activities will help rural Malians use their resources in an environmentally sound manner to produce greater revenue. These activities include: participation in a regional natural resources and evaluation workshop, use of geographic information systems to monitor environmental impact until Landsat orbital satellite problems are corrected, and development of an environmental action plan and defining public awareness programs with the GRM.

Indicators. USAID indicators for increasing incomes in areas of high productive potential include: 1) increasing the value of agricultural exports from \$120 million in 1988 to \$740 million in 1996; and 2) abolishing export taxes, minimizing rent-seeking taxes, and simplifying procedures for livestock exports.

Feasibility and Cost-effectiveness. The agricultural sector in Mali provides a living for over 80% of the population and constitutes over 40% of the production of goods and services. This sector is vital to ensuring sustainable economic growth. Increasing agricultural income is a long-term process in Mali, given the country's fragile ecosystem and poorly developed human and institutional resources. USAID/Mali, understanding this fact, has invested resources for over a decade in agricultural research and extension, cereals marketing reform, and livestock development. As a result, Mali produces enough coarse grains to feed its population and export to neighboring countries, will soon export rice, and has increased its exports of livestock significantly. Cereal production in 1994 was 60% greater than the average production of the 1980s. As a result of the recent devaluation, USAID investments in agriculture are likely to pay off sooner than planned. The devaluation has made imported rice uncompetitive on the local market, thus providing opportunities for local producers to meet the market demand and perhaps to produce for export. The demand for Malian livestock and meat has increased significantly in neighboring countries. The incentive to invest in agricultural development will have the largest and most immediate returns of any of USAID's development activities.

Progress in 1993-1994. As result of USAID activities during the last decade, the value of coarse grain production, marketing and exports has increased, and livestock production and marketing are much more developed. Cereal production increased at a rate of 8.3% since the 1980s, well surpassing the 3% rate of population growth. A recent evaluation of the Farming Systems Research and Extension Project demonstrated many cases where USAID-sponsored agricultural research resulted in measurable increases in revenue for both men and women. In 1993, agricultural exports increased by 10% over

1992. Following the January 1994 devaluation, cotton producers were promised a price increase of 35% for their next harvest, and have consequently increased their planting area. Cotton exports are expected to increase significantly. With USAID assistance, exports of fruits and vegetables will also increase. Since the devaluation, exports of livestock have doubled, and local prices of livestock and meat have increased.

Donor Coordination. USAID participates with other donors in a jointly managed cereal market reform program that has liberalized the cereal market and established a system to respond quickly to emergency food needs. The Mission coordinates closely with other donors on committees dealing with livestock development and agricultural research. USAID ensures complementarity between the geographic foci of its integrated rural development projects and those of other donors. Donors also coordinate their support for NGOs operating in rural areas.

Constraints. While the profitability of agriculture has increased, the banking system does not provide adequate support to rural areas. The Government must do more to control customs officials, extension agents and security forces who demand illegal payments to allow the movement of farm commodities and livestock or the use of Government land. Appropriate policies concerning land tenure and the use of forestry resources have not yet been put in place. Insecurity in northern Mali has diminished the availability of seeds, fertilizer, pesticides and fuel, making it difficult for farmers in that area to raise crops. USAID is focusing on these problems as part of its strategy to increase production in areas of high productive potential.

STABILIZING POPULATION GROWTH (\$4,299,372 of which \$3,499,372 DFA and \$800,000 DAF).

SO 3. Improve the delivery of health and educational services (\$15,568,717 of which \$11,269,345 is for Economic Growth and \$4,299,372 is for Stabilizing Population Growth).

Mali's health and educational conditions are significant obstacles to economic growth and the ability of families to improve the quality of their lives. By promoting the development of sustainable health systems, which provide an integrated group of primary health services at the local level, USAID promotes economic growth through investment in people.

Activities. USAID is helping to develop decentralized systems for the delivery of integrated health and education services, relying particularly on the efforts of NGOs, local communities and the private sector. A major focus is health systems development, enabling the Government to meet local needs, assure regular supplies of contraceptives and essential medicines, and collect useful health data. The most important activity is family planning, with support for social marketing and community-based distribution of contraceptives. The Mission's AIDS prevention activities focus on educating and protecting people in the groups at highest risk for AIDS, as well as fighting sexually transmitted diseases. USAID also funds programs to fight malaria and guinea worm, two serious and debilitating diseases. NGOs work with villagers to reduce easily preventable childhood deaths through better nutrition and oral rehydration therapy.

Related Activities. USAID's training projects help develop the capacity of local communities to build democratic governance structures capable of collecting the revenues necessary for funding health and education activities. Both NGOs and Government agencies receive financial management training related to health and education activities.

USAID is helping to increase the capacity of the Ministry of Basic Education to provide greater access to schools and improve the quality of education. The quality of services provided to local communities has improved through teacher training, curriculum development, rehabilitation of schools, revision of school books, and a campaign to promote the enrollment of girls. The Mission has also helped increase the capacity of the Ministry to collect accurate and useful education data. USAID works closely with U.S. private voluntary organizations (PVOs), local NGOs, and local communities to promote the creation

of community-managed and financed schools recognized by the central Government. Students at these schools have been shown to perform 25% better on tests in core subject areas than their counterparts at Government schools.

Literacy training is sponsored by the Mission as part of its rural development projects, carried out by both Governmental agencies and NGOs.

Indicators. USAID's indicators for improving the delivery of health and educational services include: 1) increasing the national contraceptive prevalence rate from 1.3% in 1987 to 7.5% in 1996; and 2) increasing the number of primary school children completing sixth grade from 25,857 in 1989 to 45,000 in 1996.

Feasibility and Cost-effectiveness. The Malian Government has neither the management capacity nor the resources to respond to all of the country's needs in health and education. In both of these sectors, USAID is working closely with PVOs, NGOs, regional and local governments, and village associations. These efforts to decentralize decision-making, financing and basic social service management provide a framework for establishing sustainable systems. USAID is also building the capacity of the central Government to provide services required by local communities. By working at several levels of the systems, USAID will help Mali to improve its health and educational status dramatically, at levels that can be maintained with available resources. Reduced population growth will relieve the pressure on Mali's fragile resource base and limit the growth in the cost of Government social services.

Progress in 1993-1994. In the health sector, USAID is continuing to make progress in helping the Government and PVOs to establish sustainable health systems and contraceptive distribution networks. New health centers are being created and existing ones are better able to provide and integrate group health and family planning services. The contraceptive prevalence rate has increased from 1.3% in 1987 to 4.5% in 1994. Core groups of HIV-positive individuals are regularly using condoms. Ongoing activities have raised the percentage of Malians using contraceptives from 1.3% in 1987 to about 4.5% in 1994. More children are being vaccinated and are using oral rehydration therapy. In only two years, the incidence of guinea worm has dropped to the point where no new cases are expected to be reported next year.

In the field of basic education, USAID's Basic Education Expansion Project has continued to improve the capacity of the Government and local communities to provide primary education to an increasing number of boys and girls. USAID's dialogue contributed to fundamental changes in the approach to the delivery of educational services. New laws have been passed regulating the delivery of educational services, linking schools more closely with the specific educational needs of individual communities and developing decentralized structures. A new law now permits communities to establish and manage their own schools and considers them equal with Government-operated school. Efforts continue in training teachers, purchasing and distributing school books, improving girls' education, and establishing regional norms and procedures for monitoring and evaluation. Through funding the activities of PVOs, the project also trains parents-students associations in management skills, and it supported the construction and development of community schools. As a result of the efforts of USAID and other donors involved in basic education, enrollment has increased by 59% since 1989, from 311,000 students in 1989 to 528,000 students in 1994-95. The number of students completing the sixth grade has increased from 19,300 sixth grade students in 1989 to 82,600 (cumulative) by 1994-95.

Donor Coordination. In both the health and education sectors, USAID's activities are part of larger multi-donor projects. The relevant project committees meet regularly. USAID is the major donor in family planning, while other donors take the lead in ensuring the availability of essential drugs. In the area of basic education, USAID has focused on institutional capacity development, the community

development of schools, and quality education, while other donors have focused on classroom construction.

**Constraints.** There is a major budget constraint in public education in Mali. Beginning in January 1994, the secondary school student movement used violence to force the Government to remove recently imposed criteria on the allocation of scholarships. Rather than submit to the students, the Government closed all schools in mid-February. Primary schools were allowed to reopen in April. The Government successfully imposed its scholarship criteria during the 1994-95 school year and appears to have resolved its problems with the secondary school student movement, allowing primary and secondary schools to operate normally.

Increasing insecurity in northern Mali is another constraint which is disrupting government and PVO health, family planning, and education activities in that area. Some PVOs have withdrawn their staff. There are practically no four-wheel drive vehicles available to serve the needs of the communities in northern Mali.

#### **BUILDING DEMOCRACY (\$259,380).**

In addition to ongoing activities which strengthen PVOs, NGOs, community groups and Government institutions, USAID proposes to use an additional \$259,380 to help establish decentralized governing bodies to be selected by 1996. USAID will train elected leaders in essential management and governing skills. Malians at the local level (mayors and town councilors) are receiving training in civic education. The USAID mission has also supported democratic activities such as national conferences, referenda, as well as municipal, legislative and presidential elections.

#### **PROVIDING HUMANITARIAN ASSISTANCE (\$ 309,000).**

USAID is providing assistance under PL 480 Title II programs which include the distribution (through organizations such as World Vision) of food to at risk populations as well as the monitoring of food emergencies.

#### **Other Donor Resource Flows.**

In 1992, the United States provided 9.7% of all official donor assistance to Mali. Other major donors include France, Germany, the World Bank, the European Union, the Netherlands, Canada, and Switzerland.

**MAJ**  
**FY 1996 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Providing Humanitarian	Total
<b>USAID</b>						
<b>Strategic Objectives</b>						
1. Increase Private Sector Participation.	7,000,000	--	--	--	--	7,000,000
2. Increase Incomes in Areas of High Production.	10,000,000	--	2,962,234	--	--	12,962,234
3. Improve the Delivery of Health and Education Services.						
Dev. Fund for Africa	11,269,345	3,499,372	--	--	--	14,768,717
Dev. Assistance Fund	--	800,000	--	--	--	800,000
<b>Cross-cutting Issues:</b>						
Training in Democracy and Governance	--	--	--	259,380	--	259,380
P.L. 480, Title II	--	--	--	--	309,000	309,000
<b>TOTAL</b>	<b>28,269,345</b>	<b>4,299,372</b>	<b>2,962,234</b>	<b>259,380</b>	<b>309,000</b>	<b>36,099,331</b>

USAID Mission Director: Joel Schlesinger

## MOZAMBIQUE

FY 1996 Development Fund for Africa Request: . . . . .	\$38,374,737
FY 1996 Development Assistance Request: . . . . .	\$450,000
FY 1996 P.L. 480 Title II Request: . . . . .	\$5,870,000
FY 1996 P.L. 480 Title III Request: . . . . .	\$10,700,000

In October 1994, Mozambique's first multiparty, universal suffrage, national elections signaled the beginning of a new future for the Mozambican people. After 16 years of a devastating civil war and two years of a fitful transition to peace, Mozambique may now be ready to turn its attention to economic development within a more democratic political framework. In addition to the immediate benefits to Mozambique, the peaceful resolution of almost 30 years of war and conflict (counting the war for independence), a significant regional destabilizing factor, offers southern Africa an unprecedented opportunity for economic and social development. Nonetheless, daunting obstacles confront Mozambique's recovery from its conflict-ravaged economic, social and civil past. Mozambique is one of the poorest countries in the world and its stability depends on economic growth, particularly income growth at the household level, and successful maturation of its fledgling democracy. Since 1988, the Government of the Republic of Mozambique (GRM) has demonstrated a commitment to economic reform and political liberalization.

U.S. assistance has been instrumental in recent years in saving the lives and livelihood of many Mozambicans, particularly during the devastating regional drought in 1991/92. U.S. support was key in allowing a free and fair election, and will remain vital to the stability of the new democratically-elected government that assumed office in December 1994. With the conclusion of the election process and the end of United Nations peacekeeping operations, U.S. support will bolster Mozambique as its nascent democracy takes root, thus increasing the stability of the whole southern Africa region. It is strategically located on the Indian Ocean and bordering six countries in the region, including South Africa. Mozambique also has, and may again, play a key role in facilitating inter-regional transport, especially from the interior, landlocked countries, thus helping to reduce transport costs for these countries.

#### The Development Challenge.

Mozambique's capacity and ability to realize the benefits of a market-based economy and improved governance are compromised by a number of deep-rooted constraints. These include: an exceptionally narrowly based economy constricted by the war to basically the capital city and the Beira corridor; largely destroyed infrastructure which denied the majority of Mozambicans access to markets and services; a resource-poor population, nearly half of whom were displaced internally or as refugees; a four-hundred year history of intensive and encompassing state intervention and control of the economy and political, social and civic life; absence of a tradition of citizen participation and assumption of civic responsibility; one of the world's weakest human resource capacity bases; and the highest under-five child mortality rate in the world.

Mozambique is successfully completing its transition from war to peace. Among the more significant impacts of the U.S. contribution to this effort are: 90% of the registered voters going to the polls; 90,000 former soldiers being demobilized; death from famine and drought being avoided and acute malnutrition rates being brought down significantly; 75% of the internally displaced and almost all of the 1.5 million refugees returning home; 1,200 kilometers of roads cleared of landmines; 2,000 kilometers of roads rehabilitated; and seeds and tools distributed to over 2.5 million beneficiaries. Besides transport of demobilized soldiers, USAID has supported reintegration of the ex-combatants into civilian life through an Information and Referral Service, to deal with the demobilized on a day-to-day basis and help them solve problems related to their demobilization. USAID is also supporting a Provincial Fund which makes available quick-disbursing financing for small projects to promote the

social and economic reintegration of the demobilized by supporting apprenticeships with local businesses, rehabilitating local infrastructure, and on-the-job training opportunities.

By FY 1996, USAID will have shifted its strategy and resources from emergency relief toward a longer-term development program. Central to this new strategy is recognition that people need to take some control and responsibility over their lives through increasing participation in the governance process, increasing their household income, and developing innovative, cost-effective, sustainable social service delivery systems. This strategy will complement other U.S. initiatives. Because of the depth and breadth of the problems, the strategy further focuses its interventions geographically and sub-sectorally.

#### **Strategic Objectives (SOs).**

USAID will pursue three strategic objectives in Mozambique. Several cross-cutting activities, including support to private voluntary organizations (PVOs) and training, will contribute to all three. Because of endemic droughts and the adverse conditions under which the returnees are attempting to resettle and begin a better future, USAID will also continue to maintain an emergency/relief response capability, particularly during the more vulnerable years of FY 1995 and FY 1996.

**ENCOURAGING BROAD-BASED ECONOMIC GROWTH** (\$42,243,221 of which \$31,293,221 DFA, \$250,000 DAF and \$10,700,000 P.L. 480 Title III).

**SO 1. Increased rural household income in specific geographical areas and commodity groups** (\$31,063,221 of which \$29,067,221 is for Encouraging Economic Growth, including P.L. 480 Title III of \$10,700,000, and \$1,996,000 is for Humanitarian Assistance using P.L. 480 Title II).

In an economy that is operating far below the subsistence level, the need to increase household income is paramount, if sustainable reduction of poverty, enhanced food security, improvements in the basic standard of living, and maintained improvement in democracy and governance policies are the medium-term objectives. To achieve measurable increases in household income, this SO will address critical constraints in selected geographic areas and for commodities that can be profitably produced by private enterprises, as well as broader national-level policy constraints.

**Activities.** Activities will include addressing marketing access constraints, including destroyed market infrastructure, policy and regulatory obstacles, and weak capacity in the micro, small and medium-sized private enterprises. This will be complemented by more direct support to recovery, expansion and productivity improvements of household income sources. Because of Mozambique's large geographic size and extraordinary challenges, USAID is focusing its interventions on specific geographic areas and commodity groups. Geographic areas are being selected based upon need, productive potential, and potential synergy with other strategic objectives. Commodity groups are being selected for their importance in household income and potential comparative advantages.

**Related Activities.** Broad-based economic growth, good governance and democratic practices are inextricably linked. Efforts in promoting civil society and responsive government improve the opportunity for smallholders to increase income and for the private sector to expand its role and business activities. The synergies gained through the mutual support of these related activities provides added incentives for foreign investment, including from U.S. businesses. Improvements in the delivery and quality of child survival and corollary activities affect the productivity increases necessary for this strategic objective. The PL 480 Title III program has been a significant factor in providing incentives to market development and local production, while assuring that 90% of the destitute in Maputo and Beira had access to a stable, affordable dietary staple.

**Indicators.** Development of indicators for this strategy is scheduled for early 1995.

Feasibility and Cost-effectiveness. Given the low household income levels and lack of means to produce, returns to investments in infrastructure, market development and basic technology improvements are exceptionally high and rapid. In 1993, just with the cessation of war and the limited mine clearance and road rehabilitation, agriculture led a 19% growth in gross domestic product. USAID has conducted an emergency relief program as well as a significant development program over the past ten years. Since 1988, USAID's development program has been very successfully focused on market liberalization and recovery and private sector development. Activities have included a mix of policy reform, commodity import support, selected technical assistance, problem-focused research, and landmine clearance on and rehabilitation of roads and bridges critical to the return of the internally displaced and refugees and for restoration of producing and marketing networks. This strategic objective builds on the successes of prior USAID programs.

Progress in 1993-1994. During the FY 1993-1995 Transition Program and the ongoing core development program (from the FY 1990-1992 strategy), USAID continued modest efforts which laid the groundwork for this new strategic objective. The P.L. 480 Title II program continued to deepen and broaden private sector maize markets supplying Maputo, while at the same time ensuring basic food security for those in absolute poverty in Maputo. With complementary Office of Foreign Disaster Assistance funds, P.L. 480 Title II, and sustainable development resources; rural households in seven provinces were provided with the basic seeds, tools and technology to begin recovery from the 1992 drought and the devastation of the war. Over 2.5 million beneficiaries received seeds and tools. Within hours of completion of mine clearance, trucks and buses were moving goods and delivering services to areas that had been isolated for 6-15 years. The remaining price liberalization policy reforms under the Private Sector Support Program were completed. Restructuring of the petroleum industry, with a significant increase in the role of the private sector, led to subsequent stabilization of fuel supply for emergency relief, the peace process and market expansion. PVO activities shifted from relief to development, assisting agriculture production, extension, improved seeds, markets, and agriculturally-related microenterprises. The commodity import program increased investment as well as consumption.

Donor Coordination. The World Bank, the European Union, Sweden, the Food and Agriculture Organization of the United Nations (FAO) and the United Nations Development Program (UNDP) have programs that contribute to this strategic objective. Under the Roads and Coastal Shipping Project, an \$800 million sector program led by the World Bank, the donors coordinate closely, ensuring that critical, priority infrastructure is rationally and cost effectively rehabilitated. The World Bank, UNDP, Sweden, FAO, the Netherlands, Germany, Norway, Switzerland, and Italy all have a number of small agriculture and/or rural development programs. USAID is the major donor in private sector-led, market-based agricultural and rural income development. Infrastructure and sites for interventions have been chosen in close consultation with the GRM, PVOs, and other donors as are criteria for economic impact on rural household incomes, market network rehabilitation/recovery, and potential economic growth. Donor coordination is very good.

Constraints. Endemic, recurrent droughts will continue to constrain the rate at which Mozambicans recover from the war. While activities under this strategic objective will provide some assistance, continued USAID relief activities are intended to complement this strategic objective, particularly for more seriously affected areas. Sporadic, unfocused civil unrest as development lags behind the expectations of demobilized soldiers and returned refugees is expected to occasionally arise, but is not expected to be a long-term constraint. As the human resource skill base in the private sector, non-governmental organizations, and government institutions is a constraint, training will be an integral part of all activities financed under this strategic objective, including a proportion of the Human Resource Development Assistance Project and African Training for Leadership and Skills Project that are directly attributed to this SO.

**SO 2. Increased use of child health and reproductive services in focus areas** (\$22,074,875 of which \$13,176,875 is for Economic Growth, \$3,045,575 is for Stabilizing Population Growth, \$1,990,000 is for Building Democracy and \$3,874,000 is for Humanitarian Assistance using P.L. 480 Title II).

Fifty percent of the deaths in Mozambique are children under the age of five, which according to the 1994 World Bank Development Report, is the world's highest under-five child mortality rate. Reports indicate an under-five child mortality rate of 270/1000 live births, an infant mortality rate between 140/1000 and 173/1000, and a maternal mortality rate of 260-300/100,000 in health facilities. Modern contraceptive use is less than 5%. Access to safe water is 30% (rural) and 40% (urban). Only 30% of people in rural areas have access to health facilities.

**Activities.** To improve child survival, the program will improve the quality and cost-effectiveness of appropriate health services. Specific attention will be given to improving access to, quality of, and management of child survival and family planning services and on increasing demand for such services. This will involve forging new partnerships between communities, the GRM, non-governmental organizations (NGOs) and private providers of health services. In addition, a small, targeted HIV/AIDS activity will be supported.

**Related Activities.** The PVO/NGO Support Project, the Rural Access Project, the Market Efficiency and Rural Income Program and Project, and the training projects all provide complementary and supplementary support for this strategic objective. The Humanitarian Assistance component of the strategy will carefully target areas of serious food insecurity.

**Indicators.** Development of indicators for this strategy is scheduled for early 1995.

**Feasibility and cost-effectiveness.** The need for child survival programs is greater than Mozambique will be able to meet with its own, and donor, resources for a long time. For measurable impact, USAID is concentrating in three provinces. The strategy builds on the existing Primary Health Care Support Project's and USAID's partner PVOs decentralization, planning, child survival, family planning, HIV/AIDS, safe water and sanitation, and policy reform interventions. Public sector provision of the whole range of child survival activities is neither feasible nor cost-effective. Central to the strategy, therefore, is the forging of GRM partnerships with PVOs and other NGOs and with private providers of health services. During project design, USAID will continue to lay the necessary foundations through the Primary Health Care Support Project and support to PVOs active in child survival. PVOs are currently delivering cost-effective health services, but need to forge better partnerships with communities, private providers of health services and the GRM to assure sustainability.

**Progress in 1993-1994.** USAID had implemented child survival activities through the Primary Health Care Support Project since FY 1991 and the PVO Support Project since FY 1990. Under the Demobilization and Reintegration Support Project, primary health care was provided in the Mozambican National Resistance (RENAMO) assembly areas for area residents as well as demobilizing soldiers. Successes in reducing malnutrition have already been mentioned. Increases in malnutrition rates were common in areas that received large numbers of refugees and internally displaced. PVO and GRM actions have largely been successful in bringing them back down. Over 1,500,000 people have benefitted from the essential drug program component of the Primary Health Care Project; over 400,000 from the safe water component. Under the PVO Support Project, in addition to the drop in acute malnutrition, over 53,000 children were immunized, over 5,000 latrines built and over 96,000 families (about 480,000 people) gained access to safe water. Under the Demobilization and Reintegration Support Project, 200,000 people were able, many for the first time in 10-15 years, to access health care through USAID-financed health services for the RENAMO assembly areas.

**Donor Coordination.** Donors involved in the health sector include the World Bank (\$120 million in new project funds scheduled for FY 1996), Switzerland, the United Nations International Children's Emergency Fund (UNICEF), Norway, Denmark, the World Health Organization (WHO), the Netherlands,

and Italy. The donor working group has been effective in coordinating the multiplicity of donor projects in the health sector. In child survival, UNICEF is the lead donor, assisting the GRM to develop its five-year Plan of Action for Children, the sector program for coordinating assistance. In family planning, there are a few small projects, but a lead donor has not been identified.

**Constraints.** Neither income growth nor increased participation in governance will happen in an environment in which people are more concerned for their survival, due to lack of food, poor health, and poor security. Given that between 60% and 80% of the rural health infrastructure was destroyed during the war, both the lack of facilities and trained personnel are major constraints. The strategy does not propose to construct facilities, although a modest amount will be available for minor rehabilitation. An integral, and major, part of the strategy deals with the training and capacity building of the whole gamut of health personnel in the GRM, private sector and PVO community, to improve quality and availability of services. Another constraint is the current expenditures gap for the health sector. The program will address this through policy reform and local currency budget support from the P.L. 480 Title III program. The lack of any real discretionary income (60%-80% of the rural population live in absolute poverty) is a constraint to private provision of health services and sustainability of PVO/community partnerships.

**BUILDING DEMOCRACY (\$2,256,641 of which \$2,056,641 DFA and \$200,000 DAF).**

**SO 3. Sustainable citizen participation (\$2,256,641).**

The primary constraint to development of democracy and improved governance in Mozambique is the lack of public participation in the governance process. The successful completion of the first universal suffrage multiparty national election in October 1994 was the first step toward a true democracy. While USAID played a major role in supporting that election (nearly one-third of foreign assistance pledged), the challenge now is to assist Mozambique beyond that important first step toward full democracy. The majority of Mozambican citizens have been isolated from government and from each other for 18 years. Sustainable democracy requires a government that is more responsive to citizen participation and a citizenry that is aware of opportunities for participation and understands its role and responsibilities in a democracy. In addition, mechanisms and opportunities for participation also have to be recognized and/or created.

**Activities.** The principal activities under this SO are support for GRM decentralization initiatives, such as the municipal elections scheduled for 1996, providing more focused technical assistance to the Ministry of State Administration, and strengthening voluntary associations (including independent media) for self-governance and citizen advocacy.

**Related Activities.** Sustainable growth of household incomes (and general economic growth) and improvements in child survival are dependent on a more participatory governance system that enables individuals and groups to take charge of their lives and influence decisions being made. Thus, in addition to the activities undertaken by the Democratic Initiatives II Project, activities under SO 1 and SO 2 directly and indirectly contribute toward achievement of this SO. Under SO 1, a critical activity will be the development of associations (for technology transfer, input supply, marketing power, capital for enterprise development, policy dialogue, etc.) and support for decentralization of government authority and increased transparency and accountability. Under the child survival program, USAID will provide support for decentralization and increased citizen participation (through community associations and NGOs, possibly business associations).

**Indicators.** Development of indicators for this strategy is scheduled for early 1995.

**Feasibility and Cost-effectiveness.** The October 1994 presidential and national assembly elections established a precedent for popular participation in the selection of national leaders and established the concept of alternatives to a single party for citizen representation. While it is premature to talk about

broader expectations for greater participation, the election results did show that the Mozambican electorate can and will make choices when given the opportunity. This strategy builds on the successful elements of the elections and upon Mozambican initiatives toward significant decentralization of authority to provincial and local government. Prior to the election it was clear that frequently, provincial and district officials felt a stronger sense of accountability to local residents, even though they were appointed, not elected, officials. This strategy supports activities to strengthen that sense of accountability and will assist local initiatives to more actively participate in local decision-making. The strategy will rely heavily on PVOs and NGOs for implementation. Support at the national level will be relatively modest, focusing on a few key policy matters and targeting support to the national assembly.

Progress in 1993-1994. During this period, USAID provided critical assistance to the successful elections, the GRM's thinking about the role of traditional authorities (and, consequently, to the role of local authorities), and decentralization. Because of the overwhelming importance of free and fair elections for the president and national assembly, the vast majority of resources intended for democratic initiatives were devoted to that process. The major impact was that the elections were free and fair, with 90% of the registered voters going to the polls and 80% of the estimated eligible voters being registered. This was remarkable, given significant constraints such as the state of the roads, no food and no transport.

Donor Coordination. Donor coordination is exceptionally good. Donors recognized early in the peace process that the elections would require extraordinary coordination. The success of the effort has left a strong legacy and expectations of continued coordination. UNDP, the European Union, Italy, United Kingdom, Denmark, Norway, Sweden, and the Netherlands were important in ensuring the success of the elections. The World Bank, Sweden, Norway, Germany, the European Union, Denmark, and Italy all have activities in decentralization and voluntary associations. The United Kingdom is providing assistance for members of the national assembly.

Constraints. As in all aspects of development in Mozambique, human resource capacity remains a serious constraint. The GRM is exceptionally thin, and quality at the provincial and district levels is erratic at best. As the GRM continues to decentralize, and recognition increases as to the implications for power bases, its political will can be expected to fluctuate frequently. Until local revenue policies, laws and regulations are promulgated, recurrent expenditures gaps will also constrain the rate and extent of decentralization. The exigencies of dealing with endemic drought, particularly one that is severe and widespread, may overwhelm the relatively weak and/or new local government initiatives and voluntary associations.

#### **PROVIDING HUMANITARIAN ASSISTANCE (\$5,870,000 using P.L. 480 Title II resources).**

While USAID shifts its strategy and resources toward economic development, both Mozambique's recent history of massive population movements and long history of localized and nation-wide droughts require that USAID maintain an emergency response capability. With 10%-20% of the population destitute and an additional 40% in absolute poverty in the near- and medium-term, assuring minimal food security is an essential part of the program. The interventions to address these problems, however, will vary over the strategy period, with increased effective demand through income growth and government-financed narrow safety nets being the goal. In FY 1996, a combination of P.L. 480 Title II PVO activities, and P.L. 480 Title III is required to prevent serious malnutrition and death and ensure basic food security for the 50% to 60% of Maputo's population that is destitute.

The P.L. 480 Title II program provides critical humanitarian relief to millions of people, while at the same time providing assistance to both basic household economic growth and child survival. Implementing agencies, such as PVOs, are encouraged to provide emergency/humanitarian relief in the most developmentally-sound way possible.

## Other Donor Resource Flows.

The United States is among the largest donors in Mozambique. The other major donors include the European Union, Sweden, Portugal, Italy and the World Bank.

**MOZAMBIQUE  
FY 1996 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	Total
<b>USAID Strategic Objective</b>						
<b>1. Increase rural household income in specific geographical areas and commodities.</b>						
Dev. Fund for Africa	18,117,221	--	--	--	--	18,117,221
Dev. Assistance Fund	250,000	--	--	--	--	250,000
PL 480, Title II	--	--	--	--	1,898,000	1,898,000
PL 480, Title III	10,700,000	--	--	--	--	10,700,000
<b>2. Increased use of child health and reproductive services in focus areas.</b>						
	13,178,000	3,034,875	1,890,000	--	--	18,200,875
PL 480, Title II	--	--	--	--	3,874,000	3,874,000
<b>3. Sustainable citizen participation.</b>						
Dev. Fund for Africa	--	--	--	2,058,841	--	2,058,841
Dev. Assistance Fund	--	--	--	200,000	--	200,000
<b>Total</b>	<b>42,243,221</b>	<b>3,034,875</b>	<b>1,890,000</b>	<b>2,258,841</b>	<b>5,870,000</b>	<b>55,384,737</b>

USAID Mission Director: Roger D. Carlson

## NAMIBIA

FY 1996 Development Fund for Africa Request: . . . . . \$9,434,000  
 FY 1996 Development Assistance Fund Request: . . . . . \$500,000

Namibia is a newly-emerging democracy engaged in a multiracial effort to remove vestiges of a century of German-colonial rule and South African apartheid, which resulted in vast socioeconomic disparities. USAID assistance focuses on education and training to address historical, race-based inequities and help Namibia provide opportunities for all its people in a peaceful and democratic environment. It is in the U.S. Government's interest that the Government of the Republic of Namibia (GRN) succeed in its efforts to maintain a viable democracy able to provide equal economic and social benefits to all of its 1.4 million people, most of whom have suffered under a century of German colonialism followed by decades under the Republic of South Africa's apartheid system. Namibia is in a strategic area of southern Africa and its capacity to make a peaceful transition from minority domination -- politically and economically -- to majority rule and empowerment improves the stability of the entire southern Africa region. The U.S. Government is supporting this smooth transition by providing resources to improve and increase access to basic and adult literacy education, skills development and the protection of its fragile natural resource base.

#### The Development Challenges.

The distribution of income in Namibia is highly skewed. The minority 5% white population receives 70% of the Gross Domestic Product (GDP), enjoys incomes on a par with those found in developed countries, and has almost exclusive access to quality education and social services. By contrast, the lowest 55% of income recipients, overwhelmingly from the majority black population, are primarily rural and shares 3% of the GDP, with a per capita income of less than \$100 per year. Environmentally, Namibia has a fragile ecological base, scarce surface water and arid land, and suffers from drought. Since independence, the GRN has undertaken an ambitious development program to eliminate the extreme economic and social disparities between the two populations, allocating up to 27% of its annual budget to education and another 17% to health and social services, initiating major education reforms and starting adult literacy programs. Namibia will require moderate, well-placed assistance on a sustainable basis for the next ten years to enable it to meet its development challenges.

#### Strategic Objectives (SOs).

USAID is pursuing two interrelated strategic objectives in Namibia which address increased participation by formerly disadvantaged Namibians in economic activity and democratic institutions encompassing all levels of civil society. A third strategic objective supports sustainable use of Namibia's scarce natural resources, particularly its wildlife.

#### ENCOURAGING ECONOMIC GROWTH (\$8,485,237 of which \$7,985,237 DFA and \$500,000 DAF).

##### SO 1. Increase participation of formerly disadvantaged Namibians in the economic, social and political development of Namibia through education and training (\$8,485,237).

Education and human resources development in the formal, non-formal and private sector are recognized as primary vehicles for overcoming the legacy of apartheid among the formerly-disadvantaged Namibians. Lack of skills and professional qualifications together with illiteracy are the major causes of high unemployment. USAID focuses on increasing human capacity and improving access for all, with emphasis on those most adversely affected by apartheid.

**Activities.** In basic education, USAID supports the GRN in dismantling apartheid-based education and in moving toward a more equitable and accessible system capable of meeting the educational needs

of all Namibians. The Basic Education Support (BES) Project is rebuilding lower-primary education in Namibia, the system's foundation, by developing a new curriculum and training teachers in its use. Under this project, USAID is providing technical assistance, commodities and training to design a national lower primary curriculum (grades 1 to 4) and a Participating Agency Support Agreement (PASA) with Peace Corps (\$4.2 million). Funding of workshops, seminars, specially designed training manuals and short-term technical assistance under the Reaching Out with Education to Adults in Development (READ) Project is strengthening the capacity of local non-governmental organizations (NGOs) to deliver improved literacy education, marketable skills training and other non-formal education programs reaching up to 40,000 beneficiaries. Under READ, five GRN officials are enrolled in Masters degree programs in the United States in non-formal education. Degree-level training in the United States (Bachelor and Masters) under the African Training for Leadership and Advanced Skills (ATLAS) Program is funding critical skills e.g., disaster management, public health, education, natural resources management, public administration and finance, and democracy and governance. A Human Resources Development Program, scheduled to begin in FY 1995, will provide short-term training to increase the number of black Namibian capable of filling private-sector management positions.

**Indicators.** At the primary education level, impact will be measured by a reduction in repetition, failure and drop-out rates from 31% to an average of 17%; a 20% increase in the number of students achieving basic competency in reading, writing, and numeracy. Success in nonprimary education will be demonstrated by increased participation of girls beyond the primary level (grade 7), and an increase in the number to students motivated to pursue higher education beyond grade 10. Further indicators of an increase in opportunities for formerly disadvantaged Namibians will be an increase in private-sector employment opportunities for returning Namibians with degree-level training and management skills. Another measure is increased participation of this group in the economic, social and political development of Namibia. Returning graduates will fill critical skill positions in both the private and public sectors.

**Feasibility and Cost-effectiveness.** At the lower primary level, a combination of large numbers of over-aged learners, high rate of repetition and under-qualified teachers are believed to be the root causes of problems in the education system. One third of all Grade 1 students in Namibia are repeaters; 70% of the teachers at the lower primary school level have less than a high school education. Qualitative improvements through in-service training of the least qualified teachers will reduce primary school cycle time, without increasing the volume of resources required to sustain the education program. Education expenditure currently represents 10.3% of the gross national product. Quantitatively, a reduction in primary cycle time for Grades 1-4 by 50% in the target areas will translate into a minimum savings to the GRN of \$2.5 million per year and \$72.6 million by the year 2010 and reduce some of the worst disparities in the education system.

**Progress in FY 1993-1994.** USAID negotiated an agreement with the GRN to focus Ministry of Education and U.S. resources on the previously-neglected, lower-primary level, the foundation of the education system. Twenty Namibians are now enrolled in advanced degree training under the ATLAS program at various universities throughout the United States. A human resources development assessment, undertaken in May 1994, identified private sector companies and candidates for short-term management training. An action plan for implementation of this assessment is being developed in consultation with the GRN and Chamber of Commerce. Under the READ health component, USAID has expended its assistance to include adult education pertaining to HIV/AIDS.

**Donor Coordination.** Major education donors are Sweden, Denmark, the United Kingdom and the United States. In FY 1994, at USAID's request, the Ministry of Education and Culture (MEC) convened a major meeting of donors involved in the education sector for the purpose of exchanging information with subsequent meetings held on specific topics (teacher training, curriculum development). The United Kingdom and the United States are major donors of degree level scholarships.

**Constraints.** There is a lack of trained teachers and educators to carry out the necessary basic education reforms in a timely manner. There is a need for strengthening the capacity of the newly created MEC to enable it to carry out its national goal of education for all by the year 2000. There is a dearth of critical skills among the formerly disadvantaged Namibians at all levels of the economy. There is only a small black middle class and very few black managers who possess the requisite skills for business ownership.

#### **PROTECTING THE ENVIRONMENT (\$5,000).**

**SO 2. Assist the GRN and its population to protect its fragile environment and endangered wildlife through working with communities and NGOs (\$5,000).**

Namibia supports a variety of wildlife species and domestic livestock as well as a population consisting mainly of subsistence farmers. There needs to be an enhanced awareness of sustainable alternatives to raising livestock and farming in traditional patterns. The country is faced with a growing population and competition for limited water and valuable land. Increased eco-tourism and wildlife "farming" could be a source of increased income for marginalized communities if they can gain the right to accrue benefits derived from consumptive and non-consumptive (e.g., tourist) use of wildlife. Namibia would benefit from increased income and the rest of the world would benefit from preservation of large range species such as elephants.

**Activities.** Under the Southern Africa Regional Program (SARP), USAID has received \$7.5 million of \$10.5 million for a five year Living in a Finite Environment (LIFE) project being implemented by the World Wildlife Fund (WWF). The project funds biodiversity and applied research, workshops, long and short-term technical assistance, evaluation and monitoring to improve the management and protection of the natural resource base of Namibia for purposes of sustainable social and economic development as well as protection of biodiversity. NGOs are being strengthened to assist local communities living in and around parks to better protect wildlife resources and legal assistance is being provided to change legislation to allow indigenous people to benefit from natural resources management and tourism.

**Related Activities.** In addition to community-based natural resources management, USAID is also funding environmental education activities.

**Indicators.** Communities will begin deriving economic benefits from ecotourism and from natural resource management activities. Communities will be empowered to manage and control their communal land in terms of usage. A national policy will be implemented allowing benefits to accrue to communal land dwellers.

**Feasibility and Cost-effectiveness.** Tourism currently provides 20% of GDP and there is potential for much more. To achieve Namibia's full potential from tourism, however, wildlife must be protected and communities living near wildlife must have incentives to manage wildlife resources effectively. The legal and regulatory framework will be established through the project to permit a system of natural resource accounting that calculates benefits from sustainable utilization of natural resources.

**Progress in FY 1993-1994.** Sub-grants strengthen four local NGOs. Economic and social assessments are being finalized for three major ecological regions. Passage by the legislature of policy on the utilization of game preserves is in progress. Formation of a community game guard program has occurred in two major nature reserves. Environmental education activities are underway. The first review of the proposed new legislation on the environment and income generation will be held in early 1995.

**Donor Coordination.** Major donors in the environment and natural resources sector are Norway, which is supporting the environmental legislation rewrite; Sweden, which is supporting a Desert Environmental Research Unit; Germany, which is providing assistance to the Ministry of Agriculture,

Water and Rural Development; Netherlands, which is providing technical assistance to Ministry of Environment and Tourism to support land use planning and Denmark, which is supporting planning, infrastructure and training for tourism.

**Constraints.** Land tenure issues and potential delays regarding the return of benefits to local communities from direct wildlife utilization may occur due to the fact that the GRN has not passed legislation allowing this practice. Legislation to permit the return of income to the communities in which it is generated and clarification on the rights and responsibilities of these communities regarding animals are urgently needed and are in the process of being developed.

**BUILDING DEMOCRACY (\$1,436,966).**

**SO 3.** Expand participation of Namibians in human rights, democracy and governance activities (\$1,444,716 of which \$1,436,966 is for Building Democracy and \$7,750 is for Stabilizing Population Growth).

Namibia's democratic institutions are new and weak, and it will take several years before a popular culture of democracy and advocacy can be rooted firmly. USAID plans to begin a bilateral democracy activity in mid-FY 1995 to assist the Namibian population to understand the full meaning of democracy, e.g., what it means to exercise one's rights and how to hold government accountable to the citizenry. Prompted by requests from the GRN for training of Parliamentarians, USAID funded a Democracy assessment in July 1994 and found little connection between the people and their representatives. An additional problem is the potential trend toward a one-party state. In the December 1994 election, the governing South West African Peoples Organization Party (SWAPO) received more than 70% of the vote, compared to 59% in 1989, but there was little involvement of grass roots organizations in the democratic process.

**Activities.** USAID will fund workshops, seminars, and other training in order to (a) enhance the transparency and accountability of Parliament and its communication with the citizenry by improving its capacity to conduct research and policy analyses and to strengthen linkages to constituents through systematic and effective communication; (b) build upon the capacity of existing political parties to become a loyal opposition and active participants in the democratic process in the period leading up to the 1999 national elections; and (c) strengthen the capacity of local NGOs to advocate for policies and programs on behalf of their members and beneficiaries.

**Indicators.** An informed population better able to express their views as exhibited by increased advocacy on key economic and development issues; an increase in the number of groups and communities represented at various fora; and increased contacts between communities and Parliament at all levels of society. Evidence of a strong civil society characterized by 25% increase in the number of organizations and/or groups and fuller participation of women.

**Feasibility and Cost-effectiveness.** Economic growth is directly linked to establishing a climate in which there is transparency and confidence in both the public and private sectors. Critical to having a democratically-oriented society is a political climate conducive to private sector growth, investment and attraction of foreign investment.

**Progress in FY 1993-1994.** In support of the December 1994 election, USAID grants provided voter education for communities and funded political party training for the seven participating political parties and equal access to TV and radio for all. Support is being provided to educate the public about women's rights as contained in the newly drafted legislation on the marital law, which would change the status of women from minors along with children and the insane to equal partners with equal rights. USAID undertook a Democracy and Governance Assessment in July 1994 to identify possible areas for a bilateral democracy activity. A FY 1994 workshop funded by a 118(e) grant brought

together representatives of public, private and NGO organizations resulted in a bill on the protection of children's rights which is now before parliament.

Donor Coordination. Sweden, Norway, Germany, the United Kingdom, and the United States have been in the forefront of democracy and human rights issues, organizing civic education and training on women's and children's legal rights and legislative reform activities. The Ford Foundation is providing annual grants in support of the Justice Training Center and to local private institutions. A newly formed group of donor organizations active in democracy and human rights issues meets quarterly to exchange information and coordinate donor support in these areas. Membership include representatives from the countries named above.

Constraints. Parliament lacks the capacity to conduct research, assess policy issues, and prepare legislative summaries necessary to formulate and enact legislation. There are insufficient linkages and means to facilitate communication between the people and members of parliament. There is a severe shortage of trained, experienced, and skilled personnel to become agents of change for democracy and a shortage of the kinds of information and reference material needed to strengthen and maintain a democracy. Although Namibia has been judged to have had two national free and fair elections, worldwide experience indicates that a ruling party without significant political opposition can become complacent, corrupt, or (even worse) dictatorial in practice.

#### **Other Donor Resource Flows.**

The five largest donors in 1993 -- Germany (\$27 million), Sweden (\$18 million), Japan (\$14 million), European Development Fund (\$12 million) and Norway (\$11 million) -- provided over 50% of assistance for Namibia. The United States provided \$9 million in 1993.

**NAMIBIA**  
**FY 1996 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Total
<b>USAID Strategic Objectives</b>					
1. Increase participation of formerly disadvantaged Namibians.					
Dev. Fund for Africa	7,985,237	--	--	--	7,985,237
Dev. Assistance Fund	500,000	--	--	--	500,000
2. Assist GRN to protect its fragile environment & wildlife.	--	--	5,000	--	5,000
3. Expand participation of Namibians in human rights, democracy, and governance activities.	--	7,750	--	1,436,966	1,444,716
<b>Total</b>	<b>8,485,237</b>	<b>7,750</b>	<b>5,000</b>	<b>1,436,966</b>	<b>9,934,953</b>

USAID Representative: Edward J. Spriggs

## NIGER

FY 1996 Development Fund for Africa: . . . . . \$27,315,464  
 FY 1996 Development Assistance Fund: . . . . . \$1,000,000

Niger made a successful transition to democratic government in 1993. The key supportive role played by the United States in this transition is widely acknowledged and appreciated by Nigeriens. Economic conditions remain grim despite progress in policy reform and the devaluation of the regional CFA (West African Franc) currency. USAID's major focus is to support Niger's movement from a centrist military state towards a broad-based, free-market economy built on a more participatory civil society. This evolution is essential for the success of Niger's democracy and for real economic growth. United States interests are served by stable, democratic governance that contributes to a stronger West African regional political and economic system. Economic development, more moderate population growth, and democratic governance will enhance productivity and food security, thus reducing the need for far greater expenditures in the event of natural disasters such as chronic droughts and possible future political instability.

#### The Development Challenge.

Landlocked at the southern edge of the Sahara desert, bordered by Algeria and Libya to its north and Nigeria to its south, Niger is among the poorest countries in the world: its per capita Gross National Product (GNP) was estimated at about US \$300 in 1994 and the GNP has shown negative growth for several years. While it grew in 1994 due mainly to better rainfall, its growth is still lower than the population growth rate of 3.3% per year. Niger's mid-1995 population will total over 9 million, concentrated along its 900 mile border with Nigeria. Despite some advances in family planning, population growth is in its most accelerated phase. Social and economic production systems have not caught up. Natural replenishment of land resources no longer suffice to maintain a population-environment equilibrium, given widespread devastation of the natural resource base. Levels of illiteracy, especially among females, and rates of infant, child and maternal mortality are among the world's highest.

The emergence of democracy at the national level, recent adoption of more realistic currency exchange rates in the CFA zone, and several seasons of fairly good rainfall now present Nigeriens with unusual opportunities to reverse years of stagnation and promote the diffusion of social, economic and technological innovations favoring improved quality of life. The United States is encouraging and assisting major policy reforms in the areas of human rights, land reform, public health, and legal codes that enhance the rights for women and local control of agricultural resources.

#### Strategic Objectives (SOs).

USAID's program in Niger supports three objectives. Progress and constraints to achievement of these objectives are closely inter-related, and the impact of activities are synergistic across objectives. Some activities cut across all three objectives including: (a) democratic governance initiatives; (b) mitigation of disasters and humanitarian assistance; and (c) training.

**ENCOURAGING BROAD-BASED ECONOMIC GROWTH** (\$16,889,165 of which \$16,089,165 DFA and \$800,000 DAF).

**SO 1. Increased use of family planning and other maternal and child survival services** (\$10,062,145 of which \$9,262,145 DFA and \$800,000 DAF including \$5,591,000 for Economic Growth, \$4,216,145 for Stabilizing Population Growth, and \$255,000 for Building Democracy).

Niger has some of the world's worst health indicators. It is one of the few countries whose mortality decline seems to have plateaued about 15 years ago. Infant and child mortality rates are the highest

ever recorded by International Demographic and Health Surveys; maternal mortality also is believed to be the highest. One-third of children die before reaching the age of five, and an unusually high proportion of deaths occur after infancy. At the same time, Niger has a 3.3% annual population growth rate which is unsustainable in a country with a fragile resource base. While the actual causes of death are mainly respiratory infections, malaria and diarrhea, the main underlying factors are high fertility, poor nutrition, poor sanitation and limited access to medical treatment, which relate to household income and community organization. Improved child survival is a USAID objective in its own right and also an essential measure to achieve reduced fertility.

**Activities.** USAID is following an integrated approach in this area, working with the Government of Niger (GON) to effect policy changes favoring adoption and accessibility of Maternal Child Health (MCH) and family planning services. Its current program works to facilitate adoption by the GON of health and population sector reforms, in order to facilitate an increase in the amount and effectiveness of resources available to this sector. USAID provides non-project assistance (NPA) budget support and technical assistance to the GON to facilitate cost recovery and cost containment, resource management, and national health and population planning activities. It is also helping improve GON capacity to deliver family planning services, conducting a pilot health services quality assurance project, procuring contraceptives, providing technical assistance in population policy development and demographic data collection and utilization, assisting in social marketing of condoms and developing and integrating a reproductive health curriculum into medical and nursing training. Largely as a result of this project, an integrated infrastructure for the delivery of family planning (FP) services has been established in many health facilities. Support also is given to U.S. Private Voluntary Agencies (PVOs) for selected area programs, and to the United Nations Children's Foundation (UNICEF) for the national immunization program.

**Related Activities.** Growth of income is very important to help reduce both mortality and fertility in Niger. Because of this, USAID is giving increased emphasis to rural primary health care in selected regions of Niger. Local participation in planning, competing for assistance resources, and assuming responsibilities depends upon and enhances better local governance. USAID is providing important support in these areas.

**Indicators.** Proposed indicators for measuring progress toward achieving this objective are (1) an increase in immunization against measles from 20.4% of Niger's children in 1992 to 35% in 1997 and 55% in 1999. Other targets now being developed include improvements in the quality of age-specific mortality rates; and increased availability of and use of immunization services; greater proximity of rural populations to services; and more people served through locally organized centers; and (2) an increase in the modern method contraceptive rate from 2.3% in 1992 to 5% in 1997 and 7% in 1999.

**Feasibility and Cost-effectiveness.** Niger's formal policy environment has improved in recent years and now favors USAID's new emphasis on local-level, quality service delivery in limited geographic areas. The GON now fully supports and is implementing the administrative decentralization that will encourage this. Data collection systems are in place to monitor progress. USAID's decision to concentrate resources in limited areas results from recognition that funding for vertical programs has been too concentrated at the national level to make real impact. Though progress in family planning has been slow, many policy constraints and attitudinal barriers are being slowly overcome and progress now seems promising for service delivery, particularly in the urban areas.

**Progress in 1993-1994.** The GON developed an essential drug policy, and made major progress in decentralizing management, cost recovery and local budgetary control in the three national hospitals. Cost recovery pilot tests for non-hospital services were completed and these approaches adopted for extension to the rest of the country. Personnel, management and accounting systems, and a national health information system were completed in the Ministry of Public Health (MOPH). Use of an essential, generic drugs list in all Public Health facilities was agreed upon. USAID assisted in updating the National Health Development Plan and helped establish a national program for social

marketing/commercial retail sales of contraceptives, and further expanded family planning coverage in existing MOPH facilities. The use of contraception continued to increase.

**Donor Coordination.** A large number of donors support health and population activities. USAID plays a major role among the numerous other donors active in the health sector, particularly in the policy reform arena, and is working with UNICEF in the immunization program. USAID plays a leading role in Family Planning, and other donors including the United Nations Fund for Population Activities (UNFPA), France, World Bank, Germany, and UNICEF, also provide some support. While there is no formal donor coordination structure, relationships between donors is good and there is essentially no duplication of effort.

**Constraints.** Niger's extraordinarily poor literacy, especially among females, severely constrains the rate at which innovations in preventive health care and family planning can be diffused. The GON has placed greater emphasis on education, but is limited by budgetary constraints and the high dispersion of the rural population. The general conservatism of the society, which is just getting used to the idea of modern family planning methods, and elements of the Islamic religion also constrain family planning efforts, although progress is being made. Nigerien law strictly enforces restrictions on voluntary surgical contraception and there are virtually no surgeons with training in these methods. Social customs, widely observed, encourage or permit the marriage of females at very early ages.

**SO 2. More decentralized financial services and an improved environment for productivity (\$5,479,165 of which \$5,224,165 DFA is for Economic Growth, \$200,000 DAF is for Protecting the Environment and \$55,000 DFA is for Building Democracy).**

Despite the overall economic stagnation in Niger, the informal sector is flourishing, an indication of the potential for economic expansion. The CFA devaluation has been a stimulus to small industries, particularly in the border regions. Despite the continued existence of governmental constraints and lack of sufficient capital, there is significant potential for expansion. Some of USAID's most successful activities have been in this area.

**Activities.** USAID work in the economic domain has been focused on two main areas: (1) promoting policy and institutional reforms concerning administrative and regulatory barriers, informal taxation and informational impediments to private enterprise development and improved export of agro-pastoral products. With USAID support, the GON has implemented measures to improve the policy environment for regional trade, including the elimination of agro-pastoral export taxes, the rescinding of quotas on livestock exports, acceleration of customs clearances for perishables and decentralization of all agro-pastoral export licensing; and (2) supporting the development of credit unions and rural co-operatives throughout Niger to assist farmers and small entrepreneurs to purchase needed inputs and develop micro-enterprises. USAID also is assisting Niger in developing a policy research network capable of carrying out and diffusing policy studies.

**Related Activities.** Activities to be carried out under this SO also help protect the environment. As the Nigeriens develop a greater stake in their resources they can see the results of good environmental management practices. The emphasis on local organizations is an important element in the Mission's efforts to promote democratization at the local level. The savings and credit institutions can be utilized by the Nigeriens to fund health/population and natural resources management (NRM) activities.

**Indicators.** The indicators, currently being developed by USAID, will relate to the number of credit institutions providing small loans, including participation by gender, use of loans, number of loans, repayment rate, and number of microenterprises created.

**Feasibility and Cost-effectiveness.** Past USAID experience in the provision of credit and other inputs, particularly through cooperatives, has shown that a great deal can be accomplished at relatively low

cost. New legislation is facilitating the formation and operation of cooperatives. The CFA devaluation has improved Niger's terms of trade, especially with Nigeria, and has opened new opportunities for marketing of agricultural products.

Progress in 1993-1994. An activity currently being implemented by the World Council of Credit Unions (WOCCU) is developing a Nigerien credit union program that is promoting savings and extending credit to members, using local rather than external resources. There currently are almost 40 credit unions, with almost 5,000 members (30% women) registered with the project. Another activity implemented by the U.S. PVO, Cooperative for American Relief Everywhere (CARE), works to encourage private sector initiatives and develop the economy of Niger's Maradi province. A rural bank and a technical school have been established to provide loans to small enterprises, income-generating groups and individuals for working capital and equipment purchases and technical training to individuals. The project is working toward the privatization of institutions established under the project, to enable them to function after the 1996 project completion. Far more new businesses (about 20,000) and new jobs (120,000) were created than planned, \$3,000,000 worth of loans disbursed (nine times the number planned) and almost 850 people technically trained. A program implemented by the PVO National Cooperative Business Association/Cooperative League of the USA (CBA/CLUSA), is expanding the private sector role in rural areas through the development of cooperatives engaged in productive economic activities. Under this project, about 114 cooperatives and 69 women's groups have been organized, over 9,000 people have received literacy and/or numeracy training, small village stores and pharmacies have been established, and a substantial amount of funds has been disbursed as loans to cooperatives for economic activities. In the policy area, there has been a reduction in illicit payments to state agents by truckers transporting agricultural crops to market.

Donor Coordination. The French and the World Bank/International Monetary Fund are the leading donors in economic reform; the French and Germans are becoming much more involved and are working with U.S. intermediaries in the credit sector. There is consultation among donors to reduce duplication.

Constraints. Transportation bottlenecks, exacerbated by "unofficial taxation", a practice USAID is working with the GON to reduce, are common. The growth of the informal vis-a-vis the formal sector of the economy reduces market access for certain products. While severe risk aversion by banks limits credit, the success of the USAID-supported credit unions provides ground for optimism.

#### PROTECTING THE ENVIRONMENT (\$6,172,234).

SO 3. Increased use of improved natural resource management (NRM) practices (\$8,345,154), of which \$5,587,234 is for Protecting the Environment; \$2,530,000 is for Economic Growth and \$227,920 is for Building Democracy).

In Sahelian countries such as Niger, long-term economic growth is dependent on increasing agricultural productivity in environmentally sustainable ways. This is especially difficult when traditional, communal land-use patterns discourage farmers and foresters from investing in the land and using it wisely. USAID supports reforms which are leading to more secure land ownership and management which in turn is leading to greater investment in agriculture production and agro-based micro-enterprise. Agricultural yields in some areas in which USAID has been working have increased two-to-three fold.

Activities. The main USAID vehicle for assisting rural Nigeriens to improve agricultural productivity with better natural resource practices is the Agricultural Sector Development Grant (ASDG-II). This project funds technical assistance, training, and evaluation, and also provides budget support to GON institutions and private entities dealing with NRM, contingent upon the GON undertaking specific actions related to land tenure, resource use, and the roles of specific private and public institutions involved in rural development. The GON has adopted a Rural Code establishing a policy framework for land tenure and has liberalized regulations affecting NGOs. Another activity, implemented by the

U.S. PVO Africare in Niger's Gouré region, integrates environmental conservation and sustainable agricultural development under a comprehensive village-level NRM plan. Environmental aspects include protection of dry-season oases from animals and sand encroachment through the planting of natural barriers and establishment of pastoral wells, stabilizing shifting sand dunes and stabilizing cultivated soil through use of agro-forestry techniques. Increased emphasis is given to collaboration and participation of the local populace in the development and implementation of this program.

Related Activities. The reversal of environmental degradation and protection of Niger's natural resources, which results in higher productivity, is crucial to Niger's development. The emphasis on local control of natural resources encourages investments in and a more effective use of agricultural lands. It also strengthens individuals and local communities, helping to build grassroots democracy.

Indicators. Proposed indicators are: (1) adoption of improved NRM practices by land area and number of women and men; and (2) specific improvements in the legal and regulatory policy framework. Other indicators will measure increased access to NRM information and strengthened national and community capacity.

Feasibility and Cost-effectiveness. The GON adoption of Rural Code legislation, primarily as a result of USAID effort, is facilitating the assumption by local communities of control of their natural resources. The adoption of better practices increases local producer tenure security, thereby encouraging the adoption of better NRM practices as well as investment in inputs. This in turn will enable producers to diversify on-farm productive activities and increase their disposable income.

Progress in 1993-1994. The GON adoption of improvements in the Rural Code, decentralization, and the change in the role of foresters provides for greater local control of natural resources. These reforms enabled the release of additional funds from the Agriculture Sector Development Grant, a portion of which are being used to establish a counterpart fund to be used by local non-governmental organizations to assist in the implementation of Niger's NRM strategy. Nigeriens are being training in implementation of the Rural Code and adoption of better NRM practices. There has been a significant increase in village organization of NRM activities and forest land under community management, both of which are leading to greater agricultural productivity.

Donor Coordination. The U.S. plays a leadership role in this sector, especially in working with the GON on policy changes. The World Bank, Belgians, Dutch, French and several other donors also are active in NRM. There is increasing coordination to prevent duplication of efforts.

Constraints. In addition to the constraints imposed by a bureaucracy that is still, though increasingly less, centralized, NRM efforts are constrained both by the fragility of the environment and the poverty and low education levels of the population which can make them more reluctant to adopt practices whose impact may only be felt in the longer term.

#### Cross-Cutting Issues.

Disaster Preparedness and Humanitarian Assistance (\$3,245,000, of which \$2,675,000 is for Economic Growth, \$270,000 is for Protecting the Environment and \$300,000 is for Building Democracy).

USAID's Disaster Preparedness and Mitigation is a cross-cutting activity aimed at minimizing the negative impact of disasters on Nigerien economic development by strengthening Nigerien capabilities to assess and effectively respond to disasters, especially food-related emergencies. The main activities include the development of a vertically integrated early warning and response system, an increasing shift from relief and free food distribution to mitigation activities encouraging self-help and community participation, improved donor coordination, and setting up an Emergency Fund (NPA counterpart funds) to be utilized by the GON for short-term emergency needs, including local food purchase and transport.

Two pilot mitigation projects as well as studies on the institutional and legal aspects of early warning and response have been completed. The Germans, Italians and Europeans are quite active in this arena, though the U.S. may be the largest single donor.

In addition, USAID has management responsibility for the Sahel Water Data Network and Management (AGRHYMET), a multi-donor regional activity, which records, interprets, and disseminates weather, climatic and hydrological information on the Sahel. Emphasis is being placed on increased participation, leadership and institutional strengthening. The information generated under this project helps in the forecasting of disasters as well as assists in better land use planning in Niger and the other countries of the Sahel.

#### **BUILDING DEMOCRACY (\$1,037,920).**

Building democracy has been an important part of USAID's program. Over the past two years, it accelerated its assistance for Nigerien activities promoting democratic governance. Activities in 1994 included support for adoption and promulgation of the Rural Code through technical assistance and cash disbursements as well as small projects assisting the improvement of the administration of law, multi-media campaigns on democratic principles, and training for journalists, human rights organizations and women's groups. The Mission funded and helped organize the printing and distribution of Niger's compendium of laws and court decrees, and supported a rapidly expanding network of non-governmental, para-legal village workers to further the decentralization and improve the quality of local administration of law. These efforts played an important part in the remarkable growth of Nigerien private voluntary organizations, which now extend beyond the capital city.

USAID's three SOs all include a democratic governance component and each are geared toward achievement of results that are essentially and explicitly related to Building Democracy. For example, \$255,000 of funding for SO 1 (family planning/MCH) is to be programmed for activities related to decentralization of GON administration of preventive health services, and for the mobilization of local associations for FP/MCH activities. Under SO 2, (financial services/production environment) \$55,000 will go directly towards efforts to increase access to and use of local, independent savings and credit associations. These groups are the very building blocks of practical, new democratic experience in Niger. In addition, \$227,920 under SO 3 (NRM), will be dedicated directly to local control of natural resources. And \$300,000 will be used for Disaster Preparedness and Humanitarian Assistance to support grassroots activities in this area. Finally, \$200,000 will go directly to a USAID activity that will add democracy and governance work in geographical areas where USAID activities are underway. It will assure that work already begun with small grants over the past three years under the Democracy and Human Rights Fund are functioning well, will enhance the activities undertaken under the three SOs, and will permit USAID to work directly with local municipalities to help mobilize financial resources of local government.

#### **HUMAN RESOURCES DEVELOPMENT (\$984,000).**

The development of human resources is an important element of USAID/Niger's program and cuts across all the SOs, but is predominantly for economic growth. Training, both long-term academic and shorter technical training in the U.S. or local training, is part of every project. Two new, innovative activities are a long distance learning project, particularly appropriate in a country of great distances and limited educational facilities; and a program, to be implemented by the Mississippi Consortium for International Development, to support female nongovernmental organizations, particularly in micro-enterprise development.

## Other Donor Resource Flows.

In FY 1993, the United States was the fifth largest donor to Niger, providing 7.5% of all donor contributions. Other major donors included France, Germany, Japan and the European Development Fund.

**NIGER**  
**FY 1996 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Totals
<b>USAID</b>					
<b>Strategic Objectives</b>					
<b>1. Increased use of family planning and other maternal and child survival services.</b>					
Dev. Fund for Africa	5,591,000	3,415,145	--	255,000	9,262,145
Dev. Assistance Fund	--	800,000	--	--	800,000
<b>2. More decentralized financial services and improved environment for production.</b>					
Dev. Fund for Africa	5,224,185	--	--	55,000	5,279,185
Dev. Assistance Fund	--	--	200,000	--	200,000
<b>3. Increased use of improved natural resources management practices.</b>					
	2,530,000	--	6,587,234	227,920	8,345,154
<b>Cross-cutting Issues:</b>					
Democratic/Governance	--	--	--	200,000	200,000
Disaster Preparedness and Humanitarian Assistance	2,675,000	--	270,000	300,000	3,245,000
Human Resources Dev.	669,000	--	115,000	--	984,000
<b>TOTAL</b>	<b>16,699,185</b>	<b>4,215,145</b>	<b>6,172,234</b>	<b>1,037,920</b>	<b>28,315,464</b>

USAID Mission Director: James M. Anderson

## NIGERIA

FY 1996 Development Fund for Africa Request: . . . . . \$15,551,724  
 FY 1996 Development Assistance Fund Request: . . . . . \$11,275,000

Nigeria, the most populous country in sub-Saharan Africa, is struggling with the task of nation building in the face of increasingly harsh economic realities. The lack of a democratically elected government has led to political instability, civil unrest and labor strikes, and reduced aid flows which have damaged its fragile economy. Nigeria is the most strategically important country in the region which influences and, in many respects, determines the economic reality of its African neighbors. It is a major regional military and political power with an established record of participation in peacekeeping efforts. Despite the fact that it is the third largest supplier of oil to the U. S. market, a decade of economic decline has reduced it to the 13th poorest country in the world. With its large population, Nigeria is a potentially huge market for U.S. exports if it can achieve greater economic growth and political stability.

USAID's assistance to Nigeria is humanitarian, limited to the non-government since 1994 and an important component of the U. S. strategy of crisis prevention. It is in the U. S. interest to maintain an active presence to slow the economic and political deterioration in this strategic country, and prevent a major regional catastrophe which could cut off Nigerian supplies of oil to the U.S., curtail Nigerian peace-keeping efforts in several countries and tax the resources of all donors with the magnitude of the required humanitarian relief effort. The USAID program supports U.S. interests by supporting efforts to stabilize a rate of population growth that directly threatens the regional environment, contributes to emigration and undermines Nigeria's potential for economic and social progress. USAID efforts are linked to enhancing the role and participation of women and stimulating the private sector to promote the growth of free markets and ideas -- a necessary foundation for democratic governance and sustainable economic development.

#### The Development Challenge.

As Nigeria continues its protracted transition from military to civilian rule, labor and civil unrest plaguing the country exacerbate its development problems. Elections for local and state leaders and the national assembly were successfully undertaken but the transition came to a halt with the annulment of the presidential elections held on June 12, 1993. All elected bodies were subsequently dissolved when the military again assumed power in November 1993. The military government has convened a national constitutional convention which is still ongoing but has yet to show positive results. The political standoff beset by demonstrations and strikes has taken a deep toll on primary health care and the nation's economy which is faltering. Inflation is currently estimated at above 400% annually while Gross Domestic Product (GDP) per capita has plunged dramatically from \$1000 in 1980 to less than \$300 in 1994.

The country's multi-ethnic population is estimated at close to 100 million with approximately one-half the population under the age of 15 years. Families are large in both rural and urban areas with 52.7% of households larger than 5 persons and 15.2% larger than nine persons. Rapid population growth and internal migration are fueling the development of large urban slums with the attendant problems of urban overcrowding including a profoundly negative impact on the environment. Nearly one in every five children will die before reaching age five and the maternal mortality rate is among the highest in the world. In addition to vaccine preventable diseases, respiratory infections and diarrheal illnesses, Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome (HIV/AIDS), Malaria, Yellow Fever, River Blindness and many other serious tropical diseases are widely endemic in the country.

Nigeria's comprehensive health policy pronouncements have not been backed with budgetary resources, effective administrative and implementation arrangements nor retention of necessary qualified personnel. There is a growing consensus that the public sector health system is not delivering services at the community level and is broken for the foreseeable future. Confronted with the collapse

of even the most elemental public services, Nigeria's poorest citizens are recognizing and supporting the non-governmental organization (NGO) sector as an alternative source for their health care services. In addition, U.S. policy sanctions against Nigeria as a result of the April 1994 decertification for narcotics transiting restrict U.S. assistance to the private NGO sector.

USAID programs seek to address issues such as the explosive rate of population growth, declining health standards, and social factors that limit the ability of women to contribute to development. USAID assistance is helping to create the foundation for integrated service delivery programs to address health and population needs. An effective family planning program has recently begun to demonstrate impressive results despite the difficult political and economic conditions within the country. Maintaining this positive humanitarian effort is essential in promoting stability and improving prospects for development.

#### **Strategic Objectives (SOs).**

USAID is pursuing the following two strategic objectives in Nigeria. In addition, the program consists of an HIV/AIDS activity which directly supports these strategic objectives. All USAID programs are directed to integrating maternal and child health interventions with those of family planning and HIV/AIDS, and addressing issues related to women's health care decision making and the needs of special populations such as the urban poor and adolescents.

**STABILIZING POPULATION GROWTH (\$14,927,431 of which \$9,252,431 DFA and \$5,675,000 DAF).**

#### **SO 1. Increased Voluntary Use of Family Planning (\$14,927,413).**

High fertility has diminished the country's economic and social gains, and overwhelmed health and educational systems as well as general infrastructure. It is one of the single most important constraints to Nigerian development. Given its current growth rate of 3.1%, the population is estimated to increase to about 116.5 million by the year 2000, and to double by the year 2017. Nigeria has reduced its total fertility rate (TFR) from 7.5 births per women in 1982, to 6.0 (1990), but far more is required.

**Activities.** The objective of USAID's family planning program is to increase the use of voluntary family planning by building demand for modern contraceptive methods and improving physical and financial access to quality clinical services. USAID is concentrating activities in the private sector, working with both not-for-profit and commercial organizations. Effective service delivery programs integrating family planning with maternal and child health care are being developed with participation of successful non-governmental organizations such as the Planned Parenthood Federation of Nigeria, the Association for Reproductive and Family Health, and state chapters of the National Council of Women's Societies.

**Related Activities.** Women's health care decision making: In Nigeria, as in many traditional societies, the burden of providing for the health and well-being of the family is disproportionately borne by women. It is the women of Nigeria who are responsible for the care of children. Yet paradoxically, this segment of the population is largely disenfranchised and deprived of opportunities for political, social and economic participation. USAID places strong emphasis on building programs which identify and remove constraints to women's health care and reproductive health decision making -- an important entry point to the larger issue of women's empowerment.

**Institutional development and sustainability of private health systems:** These activities assist Nigerian private organizations to improve their management, cost recovery, reporting and strategic planning to enhance capabilities and long term capacities independent of USAID resources.

**Indicators.** The following indicators measure achievement of USAID's family planning objective: (1) Increased contraceptive prevalence of modern methods of contraception from 3.8% of all women of

reproductive age in 1990 to 16% in 2000; and (2) Increased volume of imported contraceptives from 17 million condoms in 1990 to 45 million in 2000; from 2 million cycles of pills in 1990 to 10 million in 2000; and from 85,000 Intrauterine Devices (IUDs) in 1990 to 650,000. These indicators may be adjusted as USAID moves to an all private sector program. Indicators to monitor progress in private sector participation and growth; integration of health care delivery; enhancement of women's health care decision making; and NGO strengthening and sustainability are being developed.

Feasibility and Cost-effectiveness. Family planning is generally regarded as the most cost-effective intervention in promoting the health of women and children. USAID's investments over the past seven years have successfully popularized the acceptance of family planning in Nigeria. USAID's private sector program enhances feasibility by effectively insulating services from political shifts and building on the substantial entrepreneurial capabilities of local organizations. Through the social marketing program, one couple year of protection (CYP) is currently estimated to cost \$4, including contraceptive cost. Private sector contraceptive sales have grown from 14,752 CYP in 1988 to an estimated 540,000 in 1993, an increase of more than 3,560 percent. Implementing the program through viable non-governmental organizations vastly increases the potential for long term sustainability.

Progress in 1993-1994. Despite the political and economic crises that have plagued Nigerian society in recent years, surveys show that demand for contraception, and use of, family planning services is rapidly increasing. Awareness of family planning increased from 38% in 1990 to 76% at the end of 1993. By the end of 1993, 8.2% of all women of reproductive age used a modern method of contraception, up from 3.5% in 1990. By the end of 1994, 2,384 providers were trained in clinical services; 1,400 market-based vendors were trained to provide family planning methods; and 3,400 community-based distribution agents trained to offer family planning methods.

Donor Coordination. Donor support has been ongoing with the United Nations Development Program (UNDP), the Overseas Development Agency (ODA), the United Nations Fund for Population Activities (UNFPA) and the World Bank. USAID has served as the catalyst in extending coverage through the private sector and has provided key technical assistance inputs to ODA for the development of proposals to enhance commodity flows as well as staff training for UNFPA.

Constraints. USAID's initiatives have been supported by the Government of Nigeria but, a desire for more "control" may negatively influence the NGO environment. Although recent years have seen dramatic increases in private sector commodity sales, the market has been constrained by economic hardships reducing the disposable income available for contraceptive purchases and access to facilities. Increasing public transport costs reduce the frequency of the rural population traveling to towns, even to markets in nearby towns. The lack of stable government is a constant concern. Cultural and religious attitudes in Nigeria are being influenced in the North by anti-western propaganda and simultaneously by anti-family planning propaganda in the South.

ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$11,777,013 of which \$4,777,013 DFA and \$5,600,000 DAF).

## SO 2. Improved Maternal and Child Health Practices (\$10,377,013).

Better health, including children's health, is a desirable end in itself. It also imparts economic benefits. Better health will not, of itself, induce economic growth, but does condition the rate and level of a nation's economic performance. Historically, as levels of economic development and growth vary among countries, so do key indicators of their peoples' health status.

Tragically, many of Nigeria's children have yet to benefit from the promise of improved health. Nearly one out of every 10 Nigerian infants is reported to die before its first birthday; mortality for children less than five years of age is 192 deaths per 1000; and maternal mortality is 15 deaths per 1000 births. High rates of mortality for Nigerian infants and children are a consequence of many factors,

some preventable by immunization, others by health education and improved health care. Support for alternative, private sector integrated primary health care is key to the USAID agenda.

**Activities.** In 1994, efforts focused on establishing educational programs within not-for-profit organizations with existing health care delivery structures or potential. These efforts address immunization, sick child case management, health worker/patient communication, and patient education. USAID is also working with not-for-profit organizations to strengthen community outreach, increase immunization coverage, education, and training of traditional as well as clinical health providers. Private sector health systems are being strengthened by enhancing management capability to utilize data for planning and management.

**Indicators.** The following indicators will measure achievement under this objective: (1) improved immunization coverage will reach 80% coverage among children under one year by 2000; and (2) Eighty percent of children under five seen at health facilities with diarrhea, fever (malaria), and acute respiratory infections will receive care meeting modern accepted standards of clinical assessment, treatment and counseling by 2000. Additional indicators to monitor progress in private sector participation, integration of health care delivery and HIV/AIDS prevention with family planning; greater women's health care decision making; and NGO strengthening and sustainability will be added.

**Feasibility and Cost-effectiveness.** Preventive health is a cost-effective and efficient mechanism to increase health and well-being. Sustainable development requires maintaining the impact of any project beyond donor funding. USAID's efforts include long term strategies such as strengthening institutional capability and cost-effectiveness, and activities that broaden the base of organizational financial support, increasing ownership and participation in primary health care by women, families and communities.

**Progress in 1993-1994.** USAID's support of NGO programs has contributed to a national dialogue on the roles of the public and private sectors in health service provision. USAID has been an active participant, with other donors, in national task forces convened to address the problems of declining immunization coverage and nutritional status among infants. In both cases, strategies capitalizing on the strengths of the NGO community were adopted and implemented. In the case of the immunization program, NGO and donor assisted local immunization days have been carried out in approximately 10% of Nigeria's local governments. Comprehensive new policies for maternal and child health, immunization and oral rehydration have been written and are being implemented nationally. As a direct result of these efforts, there has been a demonstrable shift in public support, and Government statements now suggest a more receptive policy environment for NGO participation in health. The Government has even begun to relinquish control to allow NGOs a greater role in health care delivery, e.g., immunization. Early "participation meetings" have demonstrated a strong Nigerian NGO interest in health delivery partnerships with U.S. private voluntary organizations.

**Donor Coordination.** The World Bank maintains a program of support for secondary and tertiary health facilities while UNICEF continues with a five year child survival program concentrated on immunization and diarrheal disease control. Coordination is maintained through technical meetings among USAID and United Nations Children's Fund (UNICEF), World Health Organization, Ford Foundation, Lion's International and Rotary International's Polio Plus program.

**Constraints.** Efforts to improve immunization delivery systems in the private sector are dependent upon the continuing cooperation of the Government of Nigeria for the importation and distribution of vaccines to non-governmental organizations. Availability of quality essential drugs remains a concern and stock outs can hamper efforts to enhance the quality of health care services. USAID recognizes that the capacity of the Nigerian NGO community to delivery services is largely untested and infrastructural improvements are required to assure meaningful participation. In Northern Nigeria and in many rural areas, NGO programs are still developmental and coverage is sparse.

**Cross-cutting Issue: Improved HIV/AIDS Prevention and Control Practices (\$1,400,000).**

In addition to the objectives discussed above, USAID provides assistance for HIV/AIDS prevention and control activities. The HIV infection rate in Nigeria's general population is substantial, with the rate of infection in high risk populations increasing alarmingly. Studies of women at pre-natal clinics showed an increase in HIV infections from 1.2% in 1991 to 3.8% in 1994. Extrapolated to the general population this reflects an increase from an estimated 650,000 infections to 1.7 million in a 3-year period. If this uncontrolled spread of AIDS is not stopped, the costs of the epidemic to Nigeria's economic performance, not to mention human misery and degradation, will be devastating. Major U.S. companies in Nigeria are already having to cope not only with expensive medical care associated with AIDS but with losing highly trained and skilled Nigerians.

Activities. HIV/AIDS pilot prevention activities have been focused in three states, consisting of support for health education, condom distribution and studies of transmission in discrete populations.

Indicators. The two indicators adopted to monitor and assess program impact reflect the fact that no cure exists for AIDS and only education and behavior modification can retard the transmission of this disease: (1) Increased availability of condoms through social marketing from 17 million (1990) to 45 million (2000); and (2) Correct knowledge and favorable attitudes concerning AIDS transmission in the general population increased from approximately 10% in 1990 to 80% in 2000.

Feasibility and Cost-effectiveness. Nigeria was spared from the early ravages of the HIV/AIDS worldwide pandemic and has learned from the experience of countries devastated by this disease. National awareness of HIV/AIDS is growing and can continue to grow with modest but creative investments in information programs. The private sector has responded to the challenge with a series of programs directed at high risk populations in selected states, including three states in which USAID funded activities are focused. These pilot demonstrations have generated interest and self-funded efforts in other at risk areas of Nigeria. The condom social marketing program takes advantage of the thriving private commercial sector for distribution and sales of condoms where they are needed most.

Progress in 1993-1994. In 1993, approximately 2.5 million condoms were sold per month, a thirteen-fold increase in the market. From March to December 1993, Population Services International (PSI) sold 23 million condoms. Studies are planned to correlate this significant increase in sales with condom use by target populations. STOPAIDS, a USAID-supported Nigerian NGO, has reported substantial progress: AIDS awareness increased from 10% of its target population in 1989 to 90% in 1993 and condom use went from 0.025% to 48% during the same period. These positive changes in knowledge and behavior came as a result of the training provided to 120 peer health educators and 60 community based condom distributors.

Donor Coordination. USAID continues to be focal point for donor efforts in HIV/AIDS prevention. USAID supported programs are coordinated with the in-country efforts of the World Health Organization's Global Program on AIDS.

Constraints. The general economic decline and civil unrest in the country make implementation of programs difficult. The wide mobility of Nigerian armed forces within Nigeria and on peace keeping forces in several African countries will probably contribute to the spread of the disease. Cultural and religious attitudes make presentation of explicit educational and communication programs a sensitive issue in some parts of the country.

**Cross-Cutting Issue.****BUILDING DEMOCRACY (\$122,280).**

Nigeria is a participant in the Democracy and Human Rights (116e) Fund. This Fund is managed by the U.S. Embassy in Lagos on behalf of USAID. Since 1994, all activities supported under the Fund have been restricted to the private sector due to the current lack of democratic processes in Nigeria. The proposed recipient organizations in 1995 include human and woman's rights organizations, labor unions, pro-democracy groups and research organizations. Supported activities include publications, seminars, small office equipment, library support and selected research projects in the area of human rights and democracy.

**Other Donor Resource Flows.**

In FY 1993, the United States was the sixth largest donor to Nigeria, providing 5.4% of all donor contributions. Other major donors included UNICEF, the United Kingdom, the International Development Association, the European Development Fund and the African Development Bank Fund.

**NIGERIA  
FY 1996 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Total
USAID Strategic Objectives					
1. Increased Voluntary Use of Family Planning.					
Dev. Fund for Africa	--	9,252,431	--	--	9,252,431
Dev. Assistance Fund	--	5,675,000	--	--	5,675,000
2. Improved Maternal and Child Health Practices.					
Dev. Fund for Africa	4,777,013	--	--	--	4,777,013
Dev. Assistance Fund	5,600,000	--	--	--	5,600,000
Cross-cutting issues:					
Improved HIV/AIDS Prevention and Control Practices.	1,400,000	--	--	--	1,400,000
Building Democracy	--	--	--	122,280	122,280
<b>Total</b>	<b>11,777,013</b>	<b>14,927,431</b>	<b>--</b>	<b>122,280</b>	<b>26,826,724</b>

USAID Affairs Officer: Stephen J. Spielman

## RWANDA

FY 1996 Development Fund for Africa Request: . . . . . \$5,451,273

The recent war in Rwanda left its society devastated. Old societal rules and norms guiding social, political and economic behavior are in dramatic flux. Nearly two million Rwandans (25% of the population) are either displaced within Rwanda or are refugees in bordering countries. These displaced persons and refugees fear returning to their homes because of intimidation by militia groups that rule the camps, retribution for participation in the recent atrocities, or social and political insecurity in the country. The cost of Rwanda's rehabilitation is high, the capacity of the newly installed government is extremely limited, and most government authorities or structures are just barely functioning.

Though Rwanda has experienced drastic civil unrest and economic disruption, it is in the interest of the United States to assist Rwanda to prevent renewed conflict and to respond to the need for continued humanitarian relief. Since April 1994, approximately \$272 million in U.S. food and humanitarian assistance was provided to Rwanda. This figure does not include significant Department of Defense funding for this relief effort. The United States has an interest in ensuring a stable, economically productive and viable Africa. The crisis in Rwanda has had a profoundly negative effect on the other countries located in east and central Africa, particularly Burundi, which has a similar ethnic mix and tensions. A disorderly Rwanda further destabilizes Zaire, another country with a weakened and fragile government. Presently 1.6 million Rwandans are refugees, most of them in Zaire.

The United States is not the lead donor in Rwanda. However, the ability of the United States to leverage other donors is critical to rebuild Rwanda. For example, the U.S. contribution of \$2.5 million in FY 1995 to clear World Bank arrearages was an incentive to other countries to make similar contributions. Soon, substantial World Bank assistance will flow to Rwanda to rebuild the country.

#### The Development Challenge.

Given the current situation in Rwanda, the development challenge is to re-establish public security and create an environment which facilitates the resumption of a functioning society. The specific U.S. Government objectives in meeting this challenge are to:

- (1) save lives in the refugee and displaced persons camps and stabilize camp environments;
- (2) stem further exodus of Rwandans into surrounding countries;
- (3) foster conditions for the safe return and ultimate reconciliation of Rwandan refugees and internally displaced persons (including unaccompanied children), and encourage voluntary repatriation once conditions are appropriate;
- (4) avoid the creation on Rwanda's borders of a permanent, hostile refugee community by creating conditions favorable to refugees' voluntary return;
- (5) encourage creation of a broad-based government that respects the rule of law and transparent governance;
- (6) help establish credible national and international systems for identifying, apprehending, trying and punishing those guilty of human-rights crimes, including genocide;
- (7) help re-establish basic economic and social-service infrastructure so that Rwanda can become self-reliant.

**Strategic Objectives (SOs).**

The task of rebuilding Rwandan society suggests priorities for USAID. In descending order of importance and timing of implementation they may be considered as strategic objectives: (a) the establishment of new civil norms and rules at the local and national level to permit effective democratic governance; (b) the reconstruction and rehabilitation of Rwanda's economy, and (c) reinstating critical health and family planning services. Except for the priority on reintegration and rehabilitation, these strategic objectives correspond to USAID's sub-goals before the tragedy began.

**BUILDING DEMOCRACY (\$524,424).**

**SO 1. The establishment of new civil norms and rules at the local and national level to permit effective democratic governance through the funding of local and national democracy and governance activities (\$524,424).**

USAID's first priority is to support activities that will help Rwandans from all ethnic groups, political parties, and geographic regions to establish peaceful coexistence and to lay the foundations on which to build participatory governance structures. A viable, operative government structure was vitiated by the civil war of April-June 1994. Without restoring essential government functions, including physical infrastructure, the political, economic and social development of Rwanda cannot resume.

**Activities.** The basic impetus for rebuilding Rwanda must come from the central government. USAID will support this effort by assisting the Government of Rwanda (GOR) in its efforts to re-establish the capacity of key ministries and the National Assembly to perform their normal functions and to strengthen their capacity to contribute to the social and economic development of the country. Re-establishing a judicial system through administration of justice activities will be a primary focus of USAID during this transition period.

**Related Activities.** To implement this priority, USAID will fund democracy and governance activities covering a wide range of interventions, e.g., human-rights monitors to receive citizens' complaints and to build cases against those who have committed crimes against humanity, legal specialists to assist in the development of property-rights law, including land tenure, local government advisors, and programs providing civic education and financial accountability at the local and national level.

**Indicators.** USAID indicators for measuring progress toward achieving this objective are: (1) implementation of the rule of law with respect to human and property rights; and (2) establishment of a foundation on which to build participatory governance structures.

**Feasibility and Cost-effectiveness.** There will be challenges to resuming assistance to Rwanda: How will the farm land of those who were killed or fled be reallocated or returned? How will local representatives be chosen? What will be the controls on local-government structures? What will be the relationship between the local and national governance structures? How will Rwanda's refugees and long-term displaced be reintegrated? A primary focus of USAID will be to ensure feasibility and cost-effectiveness by providing assistance only in those areas in which the GOR has indicated a serious commitment and willingness to implement mutual recommendations.

**Progress in 1993-1994.** Development progress was halted by the onset of the crisis in Rwanda. USAID has reoriented its strategy to respond to the fundamental needs of rebuilding civil society through this strategic objective. To date, USAID has provided assistance to the Ministry of Justice and other key development ministries to help them restart their functions.

**Donor Coordination.** Other donors are currently conducting assessments. A United Nations Development Program round table, held in mid-January 1995, permitted donors to contribute in their area of comparative advantage. Donors pledged a total of \$587 million; of that amount the U.S.

pledge was \$59.5 million. The GOR and the donor community look to the U.S. Government to play the lead role in democracy and governance.

**Constraints.** The collapse of governmental institutions and civil society during the war, and the subsequent severe limitations on the capacity and resources in both public and private sectors, make it extraordinarily difficult to mount and focus the limited donor assistance available on the rehabilitation and reconstruction of Rwanda. The precarious peace, fragile political underpinnings of the post-war government and the high segment of the populace in displaced or refugee status will further complicate these efforts.

#### ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$4,784,949).

SO 2. The reconstruction and rehabilitation of Rwanda's economy (\$4,925,349 of which \$4,784,949 is for Encouraging Economic Growth and \$140,400 is for Protecting the Environment).

Reintegration, reconstruction and rehabilitation interventions supported by USAID will build upon the current humanitarian-relief program to smooth the transition from emergency to reintegration to development. Nongovernmental organizations (NGOs) and private voluntary organizations (PVOs) with experience in Rwanda will be encouraged to continue their efforts.

**Activities.** USAID's assistance to displaced persons project will fund activities that meet emergency needs in ways that transfer traditional development technologies which Rwandans can use when they return home. For example, CARE and AFRICARE have taught Rwandans in camps how to build improved stoves with local materials, to build and manage pit latrines, to carefully harvest woodlots, and to manage water points. This knowledge will return home with the Rwandans. NGOs can follow the Rwandans back to their homes and work with them to identify and execute reconstruction activities.

**Related Activities.** Reconstruction activities also will be integrated with steps to demobilize and reintegrate soldiers. Plans had been drawn up to have soldiers demobilize into areas where they would work on specific reconstruction projects and settle there permanently. Approximately \$8 million in USAID-Government of Rwanda local-currency counterpart funds were reserved for these purposes prior to the 1994 hostilities and are available, in principle, to assist in the reconstruction effort.

**Indicators.** USAID indicators for measuring progress toward achieving this objective are: (1) return of refugees and displaced persons to their homes and (2) availability of goods, services and income to purchase goods and services.

**Feasibility and Cost-effectiveness.** While urban areas have considerable needs, USAID will weigh the benefits of funding activities in urban areas with those in rural areas. Urban infrastructure projects are costly and offer fewer opportunities for hands-on learning experiences for local participation and governance. They may be more suitable for multi-donor and World Bank financing.

**Progress in 1993-1994.** As USAID is just beginning activities under this strategic objective, there is nothing to report at this time.

**Donor Coordination.** Other donors are currently conducting assessments. It is expected that a multi-donor relief and rehabilitation effort will be developed which permits each donor to contribute in its area of comparative advantage. USAID is recognized as having been a leading contributor of emergency relief. It is expected that this effort will continue with close coordination with other NGOs, other donors, and among USAID's Washington offices and the field mission on rehabilitation issues.

**Constraints.** In a climate of doubt over prospects for stability and political conflict over access to productive resources, land in particular, the restoration of the economy will be a major challenge.

**STABILIZING POPULATION GROWTH (\$1,500).****SO 3. Reinstitution of health and family planning services (\$1,500).**

With the highest population density in Africa, virtually no new land to cultivate, and few opportunities for Rwandans coming of age to find productive jobs, Rwanda's population-growth rate of over 3% adds further pressure on a society with few apparent options. Not addressing Rwanda's population problem means that the benefits of any absolute economic gains will be eroded. Encouragingly, survey data prior to hostilities revealed that the demand for contraceptives continues to exceed the supply.

Activities. Only small initiative will be possible at this time. While extremely important, this SO will have to be deferred until such time as the immediate issues of democracy and governance, and rehabilitation and reconstruction are addressed.

Indicators. USAID indicators for measuring progress toward achieving this objective will be: (1) contraceptive prevalence rate and (2) increased couple-years of protection.

Feasibility and Cost-effectiveness. As the fundamental elements of government and society are restored, USAID can begin to resume development activities under this strategic objective.

Progress in 1993-1994. Increasing the contraceptive prevalence rate is an area of USAID success. As the major donor since the early 1980s, USAID has helped Rwanda become one of four countries in Africa to begin to make the demographic transition. Both government and non-governmental channels have been used to deliver contraceptives and the complementary education. It is a prime area where USAID has a comparative advantage and where it can demonstrate to the new government that "government" should not try to do it all and that non-governmental, not-for-profit and private channels can deliver services more effectively.

Constraints. Before the 1994 disruption, Rwanda had a well-developed family-planning network. A major constraint will be reforming these networks and restoring services with limited human resource capacity.

**Cross-Cutting Issue.****PROTECTING THE ENVIRONMENT (\$140,400).**

Rwanda's unique environment historically has been a priority interest to the U.S. development program. This interest will continue in FY 1996 and will cover funding for research efforts and protection of Rwanda's gorilla population as part of SO 2.

**Other Donor Resource Flows.**

Prior to the 1994 crisis, the major donors to Rwanda were the World Food Program, Belgium, and Germany. Since April 1994, the United States is the leading donor in meeting emergency relief needs. The United States has given more than \$270 million in relief supplies to meet the crisis in the Rwanda Region. At the 1995 UNDP Roundtable, the United States pledge of \$59.8 million was second only to \$80 million pledged by Germany. Austria's pledge of \$35.5 million was third and Canada's pledge of \$32.2 million was fourth.

**RWANDA  
FY 1996 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Total
<b>USAID Strategic Objectives</b>					
1. Establishment of New Civil Norms and Rules at the Local and National Levels.	--	--	--	524,424	524,424
2. Reconstruction and Rehabilitation of the Economy.	4,784,949	--	140,400	--	4,925,349
3. Reinstitution of Health and Family Planning Services.	--	1,500	--	--	1,500
<b>Total</b>	<b>4,784,949</b>	<b>1,500</b>	<b>140,400</b>	<b>524,424</b>	<b>5,451,273</b>

USAID Mission Director: Myron Golden

## SENEGAL

FY 1996 Development Fund for Africa Request: . . . . . \$ 27,203,200  
 FY 1996 Development Assistance Fund Request: . . . . . \$1,900,000

Senegal is one of only a handful of politically stable, multiparty democracies in Africa. It is a moderate Moslem-dominated nation in a region in which fundamentalism is on the rise. Senegal continues to play an important and constructive role on a number of security issues, including U.N. peacekeeping activities and sub-regional conflict resolution. It is in the U.S. interest to (a) strengthen Senegal's stabilizing influence in Africa and in the Moslem world, (b) maintain Senegal's political stability, (c) promote Senegal's successful transition to a competitive, market-based economy, (d) encourage continued improvement in Senegal's democratic and human rights achievements, and (e) promote crop productivity and food security. U.S. policy in Senegal is one of support for a moderate, pro-Western, stable democracy in West Africa.

#### The Development Challenge.

The development challenge facing Senegal has changed dramatically over the past year. On January 12, 1994, West African Franc (CFAF) zone heads of state agreed to devalue the CFAF by 50%. In Senegal, the devaluation was combined with a serious assault on many of the institutions established by the Government of Senegal (GOS) during its statist approach to the management of the economy. In the past, despite its political stability, Senegal's overall record of economic growth has been poor. Average per capita income has virtually stagnated since independence. Senegal suffers from rapid population growth (2.9% per year), a poor natural resource base, an overstuffed public sector, revenue shortfalls, high childhood mortality rates (131 deaths per 1,000), and a fragile environment vulnerable to natural calamities such as drought, desertification and locusts.

Basic health and social services are severely limited, especially for women and children. Maternal mortality (510 deaths per 100,000 live births) is high. Many infants die of easily preventable diseases. Senegal's population (7.8 million) long ago surpassed the human carrying capacity of the land in terms of cereals production. Annual increases in the work force overwhelm the country's meager capacity to generate jobs. Agriculture, in spite of its relatively small (20%) share in GDP, is the principal source of income for about 70% of the population. Wind erosion, reduced rainfall, and declining soil fertility severely constrain the efforts of Senegal's farmers to increase crop productivity.

The Senegalese Government's macroeconomic management of the economy, poor in the past, has dramatically improved. Since the devaluation, the GOS has been working closely with the International Monetary Fund and the World Bank on macroeconomic policy issues. Reforms include liberalizing agricultural markets and dismantling key parastatal firms which have frustrated the emergence of market-based prices for products essential to the poor majority.

#### Strategic Objectives (SOs).

USAID's program deals with two long-range issues of great consequence to Senegal's development: population growth and the deterioration of the environment. U.S. assistance contributes directly to improving the quality of life of the Senegalese people through a process of long-term development that is equitable, participatory, self reliant and environmentally sustainable.

USAID's development program is based on three strategic objectives: (1) decrease family size; (2) increase market liberalization (for agriculture and natural resource-based products and, (3) increase crop productivity in zones of reliable rainfall and increase the value of tree production.

**ENCOURAGING BROAD-BASED ECONOMIC GROWTH** (\$16,822,131 of which \$15,822,131 DFA and \$1,000,000 DAF).

**SO 1. Decrease Family Size** (\$9,430,000 including \$1,000,000 of DAF of which \$5,480,000 is for Stabilizing Population Growth and \$3,950,000 is for Encouraging Economic Growth).

To help decrease family size in Senegal, and slow Senegal's 2.9% annual population growth rate, USAID supports both public and private family planning services. Rural-urban differences in income, employment, literacy, breast-feeding practices and fertility traits have shaped a two-pronged program to improve the delivery of family planning services in urban areas and to increase the awareness of family planning in rural areas. USAID is also planning to move into service delivery in rural areas to respond to increased demand. Child survival interventions that support the acceptance of family planning interventions are included in the program.

**Activities.** The USAID/Senegal Child Survival/Family Planning Project supports family planning interventions (policy reform, training, health education, logistics and family planning management systems, commodities, equipment and supplies). It also funds child survival interventions (high rates of infant and child mortality now compel couples to maintain high birth rates to ensure the survival of a few healthy children). The proposed Social Marketing Development Project scheduled to start in FY 1996 will encourage distribution by the private sector of contraceptives and essential health products and will contribute to a further increase in contraceptive prevalence by FY 1997.

**Related Activities.** It is essential that Senegal's national leadership recognize the long-term implications of rapid population increases on the demands for scarce resources and weak public services. USAID has led the policy dialogue to establish a decentralized health planning system in which regional and district-level groups establish health plans that better reflect their own local needs and approaches. This decentralization process is essential to the achievement of strategic objective number one.

**Indicators.** Indicators for achieving the objective are: (1) reduce the total fertility rate from 6.6 to 6.0 in 1997; (2) increase the contraceptive prevalence (modern methods) for urban areas nationwide from 6.7 to 18.0 in 1997; and (3) increase knowledge of one modern contraceptive method from 68% for men (in 1993) and 58% for women (in 1986) to 90% for both in 1997. USAID plans to establish oral rehydration units in over 200 health care facilities and provide oral rehydration salts.

**Feasibility and Cost-effectiveness.** USAID focuses its efforts to stimulate increased use of modern contraceptives in urban areas where effective demand for modern contraceptives already exists. The lack of effective demand for family planning services in most rural areas makes service provision much less cost-effective than in urban areas. USAID is combining service provision with demand generation, as well as community approaches to contraceptive provision (community-based distribution, social marketing, etc.). USAID is also working closely with the Ministry of Health to develop alternate health care financing strategies, with increased community and private sector involvement.

**Progress in 1993-1994.** Senegal's fertility rate declined from 6.6 to 6.0 in the 1986-1994 period, significantly ahead of schedule (attainment of the 6.0 level originally had been targeted for 1997). The contraceptive prevalence rate in urban areas rose from 6.7% to 11.8% over the same period. Couple year protection increased by 75% from 1986 to 1994. A decline in the desired ideal family size of urban Senegalese, from 5.5 in 1986 to 4.8 in 1993 (from 7.6 to 6.7 in rural areas) indicates a latent demand for family planning services. A 1993 health survey shows that USAID's child survival activities have helped decrease infant mortality (0-1 years of age) to 68 deaths per 1,000 live births, and overall child mortality (0-4 years of age) to 131 deaths per 1,000 live births. Oral Rehydration Therapy (ORT) is widely used in rural clinics and village health posts to control diarrheal disease and 75% of mothers recently surveyed know how to use ORT.

**Donor Coordination.** Since 1981 USAID has been the lead donor supporting family planning programs in Senegal. USAID holds regular meetings with the World Bank, United Nations agencies and non-governmental organizations that have programs which contribute to the achievement of this strategic objective.

**Constraints.** Senegal is a stratified, traditional, polygamous Moslem society. Social and cultural changes that precede a substantial decline in family size occur slowly. These constraints are very important, but poorly understood. In many areas, notably in urban centers, the main constraint is the inadequate supply of family planning services. Many studies suggest that the joint availability of family planning and maternal child health (MCH) services is an important determinant of contraceptive use; the relative weakness of MCH services in Senegal may be inhibiting the increased use of modern contraceptive techniques.

SO 2. Increase Market Liberalization (\$7,511,000 of which \$7,257,480 is for Encouraging Economic Growth, \$250,000 is for Protecting the Environment, and \$3,520 is for Building Democracy).

The continued liberalization of markets for natural resource-based products is essential to strengthening Senegal's agricultural sector. Markets for cereals, groundnuts, and tree products are of critical development significance since these are products that are overwhelmingly produced and/or consumed by the poor. USAID supports the privatization of parastatal enterprises as well as the liberalization of markets. USAID currently is focussing on the rice, and to a lesser extent, the groundnuts markets.

**Activities.** The rice sub-sector is one of the last bastions of state control in Senegal. Conditionality under the Rice Structural Adjustment (RSA) program calls for reforms that will get parastatals out of domestic and imported rice marketing and processing, eliminate direct and indirect subsidies to rice producers and processors, privatize rice imports, and eliminate administered prices for paddy rice. The direct beneficiaries of the program will be local farmers and private enterprises engaged in producing, marketing and processing rice. Technical assistance is built into a companion project to systematically track progress of the reform process and its possible effects on vulnerable groups. USAID is also providing assistance to privatize the giant groundnuts collection and processing parastatal.

**Indicators.** Indicators for achieving the objective are: (1) reduce marketing margins to their competitive levels (percent margin) from 26% in 1991 to 15% in 1997; (2) increase agricultural product marketed through the private sector (percent of total) from 46% in 1991 to 95% in 1997; (3) increase number of major wholesale cereal traders in Dakar from 279 in 1992 to 300 in 1997 and outside Dakar from 185 in 1992 to 200 in 1997; and (4) decrease government regulations for domestic rice markets.

**Feasibility and Cost-effectiveness.** The impact of privatizing existing parastatals and liberalizing markets in the rice and the groundnuts sub-sectors will yield massive benefits to the economy as a whole. Market liberalization will eliminate the economic rents appropriated by parastatal monopolies and politically well-connected large traders. The incomes of small farmers and small traders will rise as competitive markets emerge. Privatization of the groundnut parastatal is an extremely cost-effective use of USAID funds.

**Progress in 1993-1994.** The recent devaluation of the CFA franc has changed the fundamental premises of agriculture sector policy and made more rapid liberalization possible. USAID has assisted the GOS to completely privatize the paddy trade and paddy processing industry and to completely liberalize the price of paddy rice. The successful privatization of long-grain rice in 1993 under the P.L. 480 Title III program, coupled with the 1993 agreement on a comprehensive rice structural adjustment program, are significantly improving the efficiency of rice marketing in Senegal and promoting greater food security. This also will result in decreased government expenditures, lower consumer prices and more money in the pockets of domestic rice farmers.

Donor Coordination. Other donor support for agricultural market liberalization includes the World Bank, the French, the European Committee, and the Italians who have ongoing programs focusing on cost reduction, elimination of remaining price controls (on rice, groundnuts, and transportation), and privatization of processing and marketing activities.

Constraints. The chief constraint to any policy reform effort is the political will to implement the reforms. Powerful vested interests, such as large monopolies benefitting from special agreements with the GOS, oppose the reforms. Also, as noted earlier, Senegal's fragile environment is subject to drought, desertification and locusts. In the event of a serious drought or severe infestation of locusts, the government would be unable to resist the pressure to intervene in the marketplace.

#### PROTECTING THE ENVIRONMENT (\$6,714,367).

SO 3. Increase Crop Productivity In Zones of Reliable Rainfall and Increase the Value of Tree Production (\$9,612,200, of which \$6,464,367 is for Protecting the Environment, \$3,064,651 is for Encouraging Economic Growth, \$69,840 is for Building Democracy and \$13,342 is for Stabilizing Population Growth)

Farmers in Senegal have been understandably reluctant to use fertilizer and other purchased inputs in rainfed agriculture unless those inputs are heavily subsidized. USAID promotes an alternative, low-cost, strategy based on the widespread adoption of a package of natural resources-based management (NRM) technologies. USAID is helping farmers adopt natural resource saving or enhancing technologies combined through the empowerment of local rural populations. USAID focusses its interventions in zones of reliable rainfall (essentially the southern half of the country) to ensure that its funds are concentrated in areas of relatively modest climatic risk.

Activities. The Natural Resources-Based Agricultural Research (NRBAR) Project continues to improve the productivity of cropping systems for millet, sorghum, corn and rice. The Community-Based Natural Resources Management (CBNRM) Project uses both policy dialogue and project interventions to increase small farmer and private sector incomes derived from exploitation of natural resources, consistent with decentralized, sustainable natural resource management. USAID plans to launch a new Natural Resources Sustainability non-project assistance activity to support the development and implementation of a coherent Natural Resource Management (NRM) policy, including an Environmental Action Plan which will provide incentives for sustainable management and conservation of natural resources. Other activities include fostering small agriculture-based enterprises and helping PVOs/NGOs improve their capacity to design and execute their own natural resources management development activities. These activities will improve productivity, increase access to credit, and raise incomes for rural populations.

Indicators. USAID indicators for measuring progress are: (1) to increase agricultural productivity, in kilograms per hectare, for six key crops (millet, sorghum, rice, groundnuts [for oil], edible groundnuts, and maize); (2) to increase the use of ten productivity-increasing natural resources management technologies; (3) to increase the number of trees planted and surviving one year; and (4) to increase the managed land area used for the regeneration of trees. Overall indicators call for the transfer of improved agronomic technologies to 45,000 rural households, the expansion of annual cereal production to 1.3 million tons in reliable rainfall zones, and the increase of incomes of 50,000 households through the sale of cereals and forest products.

Feasibility and Cost-effectiveness. USAID's NRM strategy is a long-term development strategy designed to raise the incomes of poor farmers who have limited access to modern purchased inputs. Project-level analyses strongly suggest that, with even modest projected successes, a NRM strategy can be very cost-effective. However, the payback period on many of these interventions is quite long; accordingly, the impact of adopting these technologies will not be immediately evident. USAID tracks agricultural productivity data for the six key crops.

**Progress in 1993-1994.** Both the GOS crop estimates for 1994 and the 1994 Knowledge, Attitudes, Practices survey indicate that, except for sorghum, yields have increased for millet, rice, maize, and groundnuts (both edible and for oil). This was due to a combination of the good rainfall pattern recorded in the growing regions, availability of good quality seed, and to other farm management practices. Land reclaimed for rice production has doubled since 1993, resulting in a 10% rice yield increase. 1993 cereals production was 1.1 million tons; 50% of rural households are now using new agronomic technologies. All of these gains have benefited the 5.5 million Senegalese whose principal source of income is agriculture.

Total trees planted (3,600,000) have now exceeded the target established for 1997 as has the percentage of trees surviving (now 58% nationwide, compared to a 1997 target of 40%). Hectares managed for forest regeneration increased 16%, surpassing the 1993 target by 700 hectares. USAID supported the adoption of a new Forestry Code, creation of a Senior Council for Natural Resources Management and the Environment (CONSERE), and continues to support development of a National Environmental Action Plan that will further reinforce GOS commitment to environmental protection.

**Donor Coordination.** The donors concerned with natural resources and environmental issues, including the U.S., Holland, France, Germany, Canada, the World Bank, and the European Union, meet regularly to exchange technical information and coordinate efforts in agricultural sector and natural resources policy reforms. USAID is an active member of the donor group and ensures that environmental and natural resource concerns receive due attention. USAID is the leading donor for natural resources and environmental protection and the major donor supporting CONSERE.

**Constraints.** In order to intensify and diversify agriculture to increase the agricultural productivity of cereals and other crops, technological changes through agricultural and natural resources management research are necessary. A recent study of rural households also showed that farmers' lack of access to credit and the absence of a viable rural financial system inhibit sustained rural development. USAID and other donors are exploring how best to deal with issues of rural finance.

#### **Cross-cutting Issues.**

##### **Control the Spread of AIDS (\$1,950,000 included in Economic Growth).**

In addition to the above, USAID-supported HIV/AIDS activities assist in achieving the Mission's objectives. At 1%, the HIV infection rate in Senegal is relatively low by African standards. Nonetheless, annual increases of HIV positive cases of 2.7% and of actual AIDS case of 6.8% reflect the potential for an alarming epidemic. To counter this, USAID is targeting behavioral changes in high-risk urban groups, reductions of sexually transmitted diseases (STD), and increased distribution of condoms. USAID is also working with GOS policy makers to achieve and maintain an environment conducive to AIDS prevention activities.

**Indicators.** By FY 1998, 200,000 members of target groups will participate in risk reduction communication activities; 10 million condoms will be distributed to the target population; 95% of health care providers will be trained in STD diagnosis and treatment; and 85% of STD patients will receive appropriate treatment and education.

**Progress in 1993-1994.** USAID has been instrumental in assisting the GOS to implement its AIDS prevention program and in providing support to targeted regions. Senegal boasts the most advanced AIDS laboratory in West Africa whose researchers, collaborating with Harvard University, discovered the HIV II strain. Prevention activities are showing success in Senegal's four major urban areas, with prevalence rates, STD incidence, and condom use monitored regularly. USAID supports PVO and public sector involvement in AIDS prevention activities.

**Donor Coordination.** Other donor agencies are heavily involved in Senegal's health sector and specifically in AIDS control and prevention. Over 80% of the government's Medium Term Plan for the AIDS Program is financed by various donors. The UNDP has assumed the leadership role. The Senegal National AIDS Program leadership is judged to be one of the most active and effective in West Africa. Donors meet quarterly with the National AIDS Committee to coordinate inputs. Any donor-sponsored workshops, training seminars, and conferences ensure that invitations go out to all donors.

**Constraints.** New initiatives are needed to contain the spread of this illness and the disease, primarily in the area of professional and public education of Senegal's health workers, leaders and the general public. USAID efforts focus on providing training for health workers and increasing the public's understanding of HIV infection and AIDS and encourage the public to adopt life styles free of risk of infection. With the spread of HIV infection to rural areas increased service provision by the government and PVOs/NGOs at local levels is urgently required.

**Cross-cutting Issues.**

**Human Resources Development (\$600,000 included in Economic Growth).**

In addition to the objectives discussed above, USAID ensures that training and gender concerns are anchored in each of its strategic objectives. USAID assistance included sponsorship of training and seminars to help improve democratization and good governance. Since 1988, USAID has funded over 12,000 participant trainees in various sectors, including long-term participant training in the U.S. and local training for private sector entrepreneurs in management and technical fields. Approximately 35% of these trainees were women.

**Other Donors Resource Flows.**

In 1993, the USAID provided 9% of all donor contributions to Senegal, placing the United States as the third largest bilateral donor (behind France and Italy) and the sixth largest donor overall. The major donors are France, the International Monetary Fund, the World Bank, Italy, and the European Union.

**SENEGAL**  
**FY 1996 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Total
<b>USAID Strategic Objectives</b>					
<b>1. Decrease Family Size.</b>					
Dev. Fund for Africa	3,950,000	4,580,000	--	--	8,530,000
Dev. Assistance Fund	--	900,000	--	--	900,000
<b>2. Increase Liberalization of the Market for Agriculture and Natural Resource-based Products.</b>	7,257,480	--	250,000	3,520	7,511,000
<b>3. Increase Crop Productivity in Zones of Reliable Rainfall and Increase Value of Tree Production.</b>					
Dev. Fund for Africa	2,064,851	13,342	6,484,367	69,840	8,612,200
Dev. Assistance Fund	1,000,000	--	--	--	1,000,000
<b>Cross-cutting Issues:</b>					
HIV/AIDS	1,950,000	--	--	--	1,950,000
Human Resources Dev.	600,000	--	--	--	600,000
<b>Total</b>	<b>16,822,131</b>	<b>5,483,342</b>	<b>6,714,367</b>	<b>73,360</b>	<b>29,103,200</b>

USAID Mission Director: Anne M. Williams

## SOMALIA

FY 1996 Development Fund for Africa Request: . . . . . \$5,563,086

Only two years ago anguishing images of starving Somali children reached every home in America. The United States responded with Operation Restore Hope in December 1992, and has since been the leading world power assisting in the rehabilitation of Somali food security. The United States interest in Somalia is humanitarian; to help prevent a return to the conditions that prompted the massive international intervention of 1992. Mass starvation and widespread civil disorder in Somalia is certain to generate more refugees and contribute to instability in neighboring countries. The U.S. remains politically engaged in Somalia now and during the departure of United Nations Operation in Somalia forces. Faction and clan leaders within the country have been unable to find a common basis for national reconciliation, causing instability in the entire Horn of Africa region.

Despite Somalia's fractious reputation, conditions within the country have improved markedly today over the past year as people have returned to their communities in order to take advantage of above-average rains. In part due to American relief and development assistance, few Somali communities are at risk today of widespread famine. Within these local communities lies the base for rehabilitation and development following the significant investment made in Operation Restore Hope and through which modest U.S. development assistance to Somalia can continue to have an impact and prevent renewed crisis.

#### The Development Challenge.

Somalia is considered one of the poorest countries in Africa. Life expectancy is 47 years, and the estimated gross national product per capita is less than \$150. Although a pastoral society by tradition, agriculture plays a vital role in the economic and social life of the country. While the inter-riverain area is capable of producing a significant cereal crop in good years, Somalia is a chronic food deficit country. Assistance to the agricultural sector, coupled with livestock exports, could improve food security for Somalia if resources are used wisely and a basis for national cohesion can be found.

During the Siad Barre years, a top down approach was used to forge a country using Somalia's geopolitical position to extract international support for an increasingly fragile government. Today, many political factions would like to replicate this same approach with the hope of benefiting family and clan. However, given the highly fragmented nature of Somali society, most Somalis now see their future in a loosely federated state in which national cohesion will build slowly from the bottom up.

#### Strategic Objectives (SOs).

The USAID program focuses on increasing the national capacity for food security. Due to the fragile nature of present day Somalia, USAID project time lines are short (1-3 years) and specific activities support cost effective local initiatives and promote and encourage community participation and reconciliation. To achieve the goal of improved household-level food security, bilateral resources will be used together with Office of Disaster Assistance (OFDA) resources to improve two aspects of food security: production and utilization. Project interventions will seek to support cost-effective measures that will improve the quality of life of individuals, families and communities.

#### ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$4,915,668).

**SO 1. Increase food crop production in the inter-riverain area (\$2,415,000 of which \$2,400,000 is for Economic Growth and \$15,000 is for Protecting the Environment).**

Agriculturalists and agro/pastoralists were the hardest hit by the civil war. Herds were looted and killed, food stocks were destroyed and people fled to find safety and food. In order to re-establish a

functioning society, the first order of business was food production using simple tools and existing seeds. USAID activities will seek to increase food crop production by increasing land under cultivation, rehabilitating water resources and by improving seed multiplication practices and community-based agricultural extension services. UNOSOM's departure does not mean that Somalia will face the same problems that prompted the U.S.-led international intervention in December 1992. The restoration of security in the countryside and good rains in most areas have enabled agriculture to rebound to over 65% of pre-war levels, depending on the region. Even though the political situation in Mogadishu remains tense, many areas outside the capital are relatively stable. Harvests have been good and there is no widespread famine today.

**Activities.** During the late 1980s Somalia grew enough cereals to supply local consumption. In order to rebuild this base, Mission activities will continue to promote the return and resettlement of displaced people to rural areas so that they can resume cultivation. Using International Disaster Assistance resources, seeds and tools will be provided so that cultivation can begin and total land under cultivation can increase. Improved seed multiplication practices, water storage rehabilitation and farmer extension services will be supported through the Somalia Rehabilitation and Recovery Project with CARE International.

**Related Activities.** The Mission buy-in to the Famine Early Warning System (FEWS) III project will provide increased understanding of the factors that contribute to food security including weather, livestock grazing and export and commercial food sales. USAID staff will work cooperatively with WFP and the European Community (EC) to develop systematic data collection and analysis that will assist all partners in Somalia's development and provide a functioning FEWS system for an emerging Somali government. Somalia is also a part of the Greater Horn of Africa Initiative (GHA). Activities in the health sector will improve farmer productivity.

**Indicators.** USAID indicators for measuring progress will be to increase land under cultivation for cereals during the Gu season (long rains) from the 1994 level of 566,000 hectares to 708,000 hectares (20%) over a three year period, and to increase maize yields by 10% and sorghum yields by 5%.

**Feasibility and Cost-effectiveness.** USAID activities are designed to work with community groups building on existing technology and available human resources. The goal is to enable farmers to expand production by increasing cultivation and to marginally increase yields through improved seed multiplication and farming practices. Activities have a low input requirement, thus keeping the project focused on community initiative and local human resources in order to promote sustainability. Implementors will be local community groups or established international non-governmental organizations (NGOs) working within a Somali community. Small-scale seed-multiplication activities are designed to assist local farmers to multiply quality certified seeds and then to sell the seeds within their own communities. This cost recovery approach will enable the farmers to continue seed multiplication when project funds are finished.

**Progress in 1993-1994.** USAID estimates that land under cultivation during the 1993 Gu season (long rains) was 40% of the pre-war level in the rain-fed areas. This increased to 80% during the 1994 Gu season. This increase was due in good measure to resettlement programs that provided seeds and tools and to food-for-work activities that enabled farmers to stay on the land during the growing season. These activities were supported by International Disaster Assistance resources used in conjunction with the Development Fund for Africa resources and P.L. 480 food. Farmgate prices were supported by local cereal purchases using the proceeds from the sale of P.L. 480 high value food.

**Donor Coordination.** The WFP and the EC both support agricultural rehabilitation often using local and international NGOs as implementors. Half of WFP's program directly supports rural development activities that increase agriculture and water resources. In the past the United States provided about 25% of the food-aid resources utilized by WFP. The EC, using both emergency and development

resources, supports localized activities that encourage improved seed multiplication practices, improved farming methods, child-to-child fruit tree cultivation and simple on-farm trials. Both WP and the EC will work cooperatively with the USAID FACE III project to increase understanding of food security issues and to sponsor workshops that increase involvement of trained Somali agriculturalists in implementing project activities.

**Constraints.** Erratic rain patterns make Somalia susceptible to periodic, wide-scale drought and localized drought even during relatively good rainy seasons. Security and internal stability are essential to keep the farmers on the land. Over the next three years, improved localized security and effective local authority will be more important than national security and a central government.

**SO 2. Stabilize health status of children and mothers in target areas (\$2,517,168 of which \$2,515,668 is for Economic Growth and \$1,500 is for Stabilizing Population Growth).**

Child survival has always been problematic in Somalia. Mortality figures for children under five were recorded as 211 per 1000 in 1992, the twelfth highest in the world. In the absence of a vertical health care delivery system, children and mothers are generally unable to obtain curative health care. Basic nutritional requirements are so scarce that basic intervention is not even contemplated until weight-for-height reaches below the 5th percentile. Common ailments such as diarrhea and respiratory infections regularly claim lives. In the absence of a central government and resources from a tax base, the re-establishment of a preventive health care system is neither practical nor sustainable. However, lives can be saved and health status stabilized or improved through preventive care, nutrition surveillance and health education.

**Activities.** To reduce morbidity and mortality the Somalia Rehabilitation and Recovery project will fund training programs for Community Health Workers (COW) and Traditional Birth Attendants (TEA). This project will also support community water projects to improve the quantity and quality of drinking water. Where populations are stable, Expanded Program of Immunization (EPI) activities will be supported through a grant to UNICEF. International Disaster Assistance resources will continue to support the rehabilitation of maternal child health clinics and outpatient facilities. Community health posts will be supported with health kits provided by UNICEF with International Disaster Assistance funds. Hospital and clinic staff will receive food as salary from WP using P.L. 480 food.

**Indicators.** The indicators for measuring progress toward achieving this objective are: community health posts will increase by 20% in the central and southern regions, fifty percent of all COW's and TBAs will receive refresher courses during the three year period, and weight for height ratios will increase by five percent for children under five living in project areas.

**Feasibility and Cost-effectiveness.** Preventive health care is the most cost-effective means of improving and stabilizing health status. Relying on basic knowledge and simple, easily maintained tools, many debilitating and life threatening health problems can be prevented or treated. In the Somalia context, community health has four partners: the community which selects and supports the COW, the NGO which does the training, UNICEF which provides the health kits and the patient who learns new health practices. This low input approach maximizes community involvement and encourages sustainability. The CHW network can also neatly fit into a curative health network when a Ministry of Health is established and when resources are available for a national health care system.

**Progress in 1993-1994.** Malnutrition in children and mothers is rarely limited to food intake. The body must also be able to utilize food resources effectively. Therefore, food resources have worked with improved health practices to obtain the desired results. During 1993, malnutrition levels in children dropped sufficiently to discontinue most emergency feeding programs. In 1994 there was increased nutritional stability with only localized interventions primarily among displaced populations in urban areas. UNICEF estimates that 970 CHWs and TBAs were trained during 1993-94 extending health coverage to 286 health posts in the more stable parts of the country.

**Donor Coordination.** USAID works together with UNICEF, WFP, the EC and a wide range of local and international NGOs to promote improved preventive health. UNICEF provides some sectoral coordination and standardization in the absence of a national ministry. It also provides instructional material, immunization packages including cold chains and health post supplies. The EC, through both relief and development resources, supports health care training and has encouraged cost recovery strategies. WFP provides curative health care workers their salary in the form of high-value food commodities and supports the building and rehabilitation of health posts through food-for-work programs and grants from the proceeds of monetized food.

**Constraints.** Health care which focuses on village-level preventative care works best as a part of a more professional curative care network. Although preventative care is a cost-effective way to save lives, there are many problems which are beyond the knowledge level of the CHW. It is unlikely that any sort of referral network will be available until a central government is established which has substantial funds earmarked for health care.

#### **BUILDING DEMOCRACY (\$630,918).**

In addition to the objectives discussed above, USAID will continue to support reintegration activities for refugees, displaced and ex-militia. Food security can only be obtained in Somalia if there is reasonable personal security and if people are engaged in productive activities. Therefore, the continued need to encourage reconciliation and reintegration cuts across all aspects of USAID's work, as well as the overall stability of the Horn of Africa region.

Project activities will support inter- and intra-community mediation, skills training, short-term public works employment and employment generation. Working with CARE, UNDP and WFP, U.S. resources will promote the reintegration of militia and other displaced persons into their home communities and to assist in the physical rebuilding of war torn communities and towns.

#### **Other Donor Resource Flows.**

In 1993 the United States provided about 30% of all donor assistance, ranking second to the EC which was the largest contributor. The biggest implementors are the UN agencies using resources from member nations and the implementation capacity of local and international NGOs.

**SOMALIA**  
**FY 1996 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Total
<b>USAID Strategic Objectives</b>					
1. Increase Food Crop Production in the Inter-riverain.	2,400,000	--	15,000	--	2,415,000
2. Stabilize Health Status of Children and Mothers in Target Areas.	2,515,668	1,500	--	--	2,517,168
<b>Cross-cutting Issue:</b>					
Democracy/Governance	--	--	--	630,918	630,918
<b>Total</b>	<b>4,915,668</b>	<b>1,500</b>	<b>15,000</b>	<b>630,918</b>	<b>5,563,086</b>

USAID Mission Director: Ronald E. Ullrich

## SOUTH AFRICA

FY 1996 Development Fund for Africa Request: . . . . . \$131,878,242

The Republic of South Africa is strategically located at a critical point on the sea lanes and contains deposits of many minerals and strategic materials. It has the most developed and diversified economy in Africa and possesses the continent's most modern and efficient road, rail and telecommunications networks. The 1993 Gross Domestic Product (GDP) of more than \$117 billion is more than four times larger than the rest of the Southern Africa region combined. South Africa is the United States's largest trading partner in Africa, with bilateral trade about \$4 billion in 1993. U.S. private sector investment in the country exceeds \$1 billion. Given the strategic and economic importance of a stable and prosperous South Africa, it is in the national interest of the United States to ensure that all of the country's citizens are permitted to achieve the economic benefits of their new-found political freedoms.

#### The Development Challenge.

One year ago the majority of South Africans were without voting rights and severely limited in their access to basic economic and social benefits. Following the remarkable success of the non-racial, multi-party national elections and the transition to a majority government, the reconstruction and development of the new South Africa is now underway. Today, through a triumph of democratic will, the system of apartheid, with all of its injustice, is history. The world has witnessed the birth of a new South Africa, one that merits the full support of the world community. The potential for success is great and with it comes the African continent's best example for democracy and an "economic engine" that could eventually benefit the entire continent. The newly-elected South African government is moving ahead with trade liberalization and strict budget discipline. Privatization and further deregulation of the economy also are targets for policy reform. Barriers to foreign investment are limited and most businesses can be started with a minimum of formalities. The new government is well aware that economic and political freedom go hand in hand. USAID/South Africa's post-election goal is "to increase the majority population's political, economic and social empowerment." A key priority under this strategy is to assist the new democratic government to restructure and unify formerly apartheid institutions and achieve greater equity in social and economic opportunities.

In April 1994, landmark multi-racial elections resulted in the election of a new President and the creation of a Government of National Unity (GNU) - composed of Ministers from the three major parties. Shortly thereafter, President Mandela announced the GNU's ambitious Reconstruction and Development Program (RDP). The RDP identifies four broad areas of emphasis: Meeting Basic Human Needs, Developing Human Resources, Building the Economy, and Democratizing the State and Society. The United States is supporting the reconstruction and development process through a three year \$600 million commitment. The new government has an enormous task ahead of it, including: the reform of all Ministries and the civil service; establishment of a Constitutional Court; the reorganization of the country from a system of four provinces and ten "homelands" to nine provinces; the transformation of the health and education systems; and, the integration of millions of formerly disenfranchised citizens into the economic and social fabric of the nation. A well-functioning democracy and dramatic and sustained economic growth are key to meeting many of these challenges. Although South Africa has the largest economy in the region, it is just emerging from a recession and the effects of a prolonged struggle against apartheid. GDP growth is expected to be around 2-3% in 1995 and could reach higher levels in future years if political stability is maintained and renewed foreign investment is forthcoming. Growth, investment and economic assistance are needed to reduce the alarming poverty in South Africa. At present, approximately 40% of all South African households lack adequate housing, an estimated 49% lack safe water and 25% lack adequate sanitation. More than one third of the adult workforce is jobless, and more than 50% is functionally illiterate. If South Africa is to serve as a model for successful conflict resolution and reconciliation in the region, as well as an engine for rapid economic growth, these conditions must be improved.

**Strategic Objectives (Soa).**

USAID is pursuing four strategic objectives in South Africa.

**BUILDING DEMOCRACY (\$20,227,567).**

**SO 1. Disadvantaged population participates more fully in the political development and governance of a democratic, human rights-based South Africa (\$20,227,567).**

The basic structures needed to broaden and sustain a democratic political order in post-apartheid South Africa are an informed electorate; strong local governments; a just, accessible and transparent legal system; sustained respect for human rights; a civil society based on tolerance and acceptance of cultural diversity; institutionalized checks and balances, including alternative non-governmental mechanisms for articulating and promoting diverse points of view; accountability and transparency in public decision making; and representative, responsive, and effective governmental structures at national, provincial and local levels. SO 1 addresses these basic underpinnings of democracy, without which sustainable development in South Africa will not be realized.

**Activities.** The USAID program emphasizes helping the new government cope with these governance problems. Through the Transition Support Fund and the Community Outreach and Leadership Development (COLD) Projects, immediate and extensive support is being provided to national, regional and local governments in the form of technical assistance, training and observational tours in support of policy analysis, formulation and implementation. Specific support is also being provided in the area of administration of justice through the first bilateral project signed with the government. This program is unique in that it also involves non-government organizations (NGOs) as partners in an effort to overhaul the system. Throughout the period prior to the election, USAID developed a strong partnership with the South African and U.S. NGO community. USAID will continue to work with these groups and community-based organizations in areas of institutional development, civic education, mitigation of violence, conflict resolution and human rights. Putting democratic organizational practices into action, the Self-Help Support Project annually provides \$500,000 to small community organizations to address agreed-upon community development needs. USAID will also continue to work with the African American Labor Center to provide technical assistance and training for black South African trade unions in areas such as union organization and management, grievance processing, labor policy, collective bargaining, health and occupational safety.

**Related Activities.** Both the Governance Support Program and the Disenfranchised Youth Program are supported under the COLD Project in addition to other projects throughout the portfolio. These activities cut across the entire South Africa program, providing linkages between SOs. All housing and urban development projects have significant technical assistance components that focus on strengthening local government capacity to provide housing and urban services in collaboration with community-based organizations. Currently 63 community organizations are participating in the Shelter and Urban Development Support Project.

**Indicators.** Indicators measuring progress include: the percent of registered voters exercising that right and the number of NGOs working with USAID in the area of political development. By all accounts, the April national election was substantially free and fair with voter participation estimated at 86.5%. Given the greater resistance to change most observers perceive at the local level, the electoral processes surrounding the local government elections scheduled for the fall of 1995, including voter registration and turnout, will be a significant indicator of South Africa's progress in its democratic transformation. USAID has provided support under this strategic objective to over 300 NGOs, of which 10 are directly working in the area of political development.

**Feasibility and Cost-effectiveness.** The successful free and democratic national election of April 1994 attests to the feasibility of this strategic objective. Previously disenfranchised South Africans had less

than four months to become familiar with the principles and operational details of elections and representative government. USAID supported a massive effort to help educate the millions of new voters as to their responsibilities and rights prior to the elections. USAID has been a key player in the promotion of political and social change in South Africa since 1986 and has been in the forefront of empowering disadvantaged communities by supporting activities that promote democratic processes and provide assistance for leadership development to facilitate democracy. Many of the newly-elected leaders of South Africa have benefitted directly and indirectly from USAID's past investments in these activities. The costs of leadership development and promoting "voice and choice" for the disadvantaged communities (\$120 million over the past seven years) are small in relation to the benefits of having the majority community actively participate in a democratic political system.

Progress in 1993-1994. Over 150 grants to indigenous and U.S. NGOs have helped to establish a strong civil society and culture of accountability. They have also contributed to the quality of governance in the new South Africa. The persons and organizations who participated in the liberation and democratization movement regarded our programs as safe vehicles to express their opinions and catalyze wide-spread community action towards the realization of a free, democratic South Africa. About 50 former participants are now in responsible positions within the new government and will undoubtedly use their USAID-supported training to have substantial and broad influence on the development and implementation of the government's RDP.

Mission programs strengthened South Africa's first non-racial election by providing voter education through over 100 organizations that reached over 4 million disadvantaged South Africans and supported the coordination and deployment of over 30,000 local election observers and over 500 international observers. In addition, the Independent Electoral Commission (IEC) was given institutional strengthening technical assistance and an estimated 50 NGO leaders participated in the IEC and other transitional structures to successfully carry out a substantially free and fair national election. The result has been an unprecedented turnout of voters (19.6 million) with fewer than one percent of the votes invalid.

Mission programs have helped to create and strengthen a truly national network of human, civil and legal rights and democratic institutions. The Mission has helped assure fundamental civil and political rights by enabling NGOs to be directly involved with the restructuring of the South African judicial system, and by supporting a wide range of efforts to help create a culture of tolerance in the country, thereby helping to diminish the level of political violence. In 1993-1994, Mission programs supported more than 60 grassroots advice centers, civic organizations and others offering paralegal/defense representation, legal education and training, and community law centers.

In order to build the policy foundations for the new democracy, the Mission supported the establishment of policy-based think-tanks, conferences, workshops and fora to build economic, public administration and oversight capacity in the disadvantaged majority community in support of the RDP. USAID has also funded various workshops, observation tours and training courses for new national and provincial officials to facilitate effective governance.

Donor Coordination. USAID/South Africa has an excellent record of coordinating with other donors and has emerged as the leader of many coordination efforts. Related to this SO, particular attention has been given to donor coordination in the areas of Community Development and Land Tenure programs and the Strengthening of the Independent Electoral Systems. While the Canadians chair the donor coordination group in Public Administration and the British are increasing their involvement in Civil Service Training, USAID has been the most active donor in support of Public Administration and Governance and will play a leading role in the future in donor coordination.

Constraints. The new government faces major challenges during the first years of the new democracy. At the national level, a thin layer of new political leadership directs an entrenched, carry-over bureaucracy and presides over an extensive network of laws inherited from the apartheid regime.

At the new provincial level, new structures must be organized and institutionalized from a near zero base in some provinces. Policies, structures, institutions, laws and procedures governing fundamental social service delivery across the spectrum must be revamped, rationalized or established.

#### **ENCOURAGE BROAD-BASED ECONOMIC GROWTH (\$98,775,348).**

##### **SO 2. Help establish a more equitable and effective education system (\$41,000,000).**

Of all of the injustices of apartheid, none is more profound than the deliberate restriction of educational opportunities for the majority of South Africans, including black, colored and Indian. The inequalities resulting from years of inferior education will take decades to overcome. Democratic development requires an educated citizenry to direct and manage private and public institutions within a civil society.

Activities. This Strategic Objective is supported by four principal projects: South African Basic Education and Reconstruction (SABER), Education Support and Training (ESAT), Support to Tertiary Education (STEP) and Tertiary Education Linkages (TELP). Through these activities the Mission has assisted in developing a democratic, non-racial, compulsory, unitary education system in South Africa by developing and disseminating innovative educational models and policy systems which improve the quality of pre-primary and primary education for historically disadvantaged South Africans. Over 100 NGOs have been assisted in their efforts to support these programs. Specifically, the SABER Project is supporting the increased development and use of innovative educational models and policy systems that improve the quality of primary education through technical assistance to the government and support for NGOs working in primary education. The ESAT project supports indigenous non-governmental education providers in the development and testing of improved educational models, curriculum development and educational planning. Through STEP, human resources development is focused on immediate occupational needs. The emphasis is placed on professional and technical fields where members of the majority population are severely underrepresented. Finally, TELP is intended to assist in the transformation of historically disadvantaged universities and technical schools through targeted assistance in strategic planning and policy analysis, institutional capacity building and developing linkages with other South African and U.S. institutions of higher education.

Related Activities. It has been shown that the level of education has a direct link with several development indicators - economic prosperity, employment, family planning and infant mortality. Reflecting this, the activities under this SO are related across the board to USAID objectives, for example, training for civil servants, legislators, managers, civic and business leaders. Training is also provided to complement other efforts under the Disenfranchised Youth Program.

Indicators. Impact indicators for this SO aim at improving the statistics for non-white students and include the per capita governmental spending on white and black children, the white to black ratio for numbers of students per teacher and the percent of enrolled black children completing high school. South Africa allocated 21.4% of the national budget for education. Although this level of funding for education is within the acceptable upper range, the allocation of funding by race and ethnicity were not equitable. Manifestations of this inequity result in statistics such as the majority population having matric (high school proficiency exam) pass rates of 44% compared to 98% for whites. Overall, 14% of public education teachers did not have teaching qualifications, and 57% were under-qualified (i.e., did not have a matric with three or more years of teaching training). The vast majority of un- and under-qualified teachers are assigned to rural areas and previously designated homelands. However, reforms are moving apace. The new government has established policies to transform the educational system at all levels and has developed an action plan to implement this policy.

Feasibility and Cost-effectiveness. South Africa's educational system has traditionally been race and gender biased. This bias is gradually changing due, in no small part, to USAID's investment of approximately \$180 million in education over the past decade. USAID has provided disadvantaged South Africans with access to a quality education through scholarships. There are several hundred

students studying in the United States or at South African institutions. This massive training program has provided the new government with a significantly expanded pool of qualified leaders. Through a combination of projects, USAID has also assisted South African private and community-based organizations to develop improved models for basic education, strengthen the capabilities of black education NGOs, upgrade the qualifications of black teachers and school administrators, improve school management systems, reform educational curricula, and provide a better quality education for the disadvantaged majority of South Africans. This will complement the new government's emphasis on education and training for employment and alleviate somewhat the overall dearth of trained and qualified teachers, instructional facilities, textbooks and learning materials.

Progress in 1993-1994. USAID has funded the development of innovative curriculum design, educational materials, and other teacher training models in mathematics and science education, preschool and primary education, and innovative uses of technology in delivering instruction; some of these are now being used. The program laid an important foundation towards building a single assessment and accreditation system for South Africa through the Independent Examination Board and established a national forum for the nine historically black South African universities, identifying common problems and formulating a program for their development. A national forum for career counselling has also begun to address the lack of career counselling within the disadvantaged community. In the non-formal sector, USAID has developed post-secondary remediation, applied adult training models and techniques, and developed preschool preparation programs. Also, USAID provided short-term and long-term academic degree training, and career development fellowships to over 1,200 disadvantaged South Africans during this period.

Donor Coordination. Norway serves as the chair of the Human Resources Development donor coordination group. With USAID's considerable investment in this sector, it expects to play a key role in identifying strategic areas of cooperation within the donor community. USAID conducts periodic consultations with counterparts from various other donor agencies in order to compare assessments of funding proposals under consideration and to consider co-funding possibilities.

Constraints. The highly fragmented and wasteful educational system organized on racial lines which was imposed by the apartheid regime in South Africa will require years to transform. Changes will be needed at all levels, from basic education to post-graduate studies, resulting in the reform of the educational system itself and a more equitable distribution of educational resources. Tension exists between the need to increase access and at the same time enhance quality.

SO 3. Increase opportunities for asset ownership and economic integration for the historically disadvantaged (\$57,995,348, of which \$49,400,348 is for Economic Growth and \$8,595,000 is for Protecting the Environment).

The disparities in access to economic resources in South Africa are numbing. Average white incomes are six times that of blacks, three times that of coloreds and twice that of Indians. More than half of the majority population lives below the official poverty line. It will be impossible to establish and sustain a stable, democratic, post-apartheid South Africa if the majority population has so little stake in the country's economy.

Activities. Activities under this strategic objective focus on overcoming those legacies of apartheid which have barred South Africa's majority population from fully participating in the country's economy, especially private enterprise and home ownership. The program endeavors to creatively leverage local and international capital through loan guarantee arrangements, strengthen the indigenous business development organization sector and provide selective technical assistance and training. Efforts are focussed on developing replicable models for South Africans to emulate. In the post-apartheid era, there is now an opportunity to work with the South African Government (SAG) to ameliorate policies that have historically disadvantaged large segments of the population. To address private sector development, a three tier approach is being used that utilizes resources from bilateral, regional and

global sources. USAID/South Africa's Black Private Enterprise Development Project is providing technical assistance, training, credit and equity for micro/small and medium-sized enterprises, and on-the-job skills training for unemployed and marginalized members of the majority population. The project also is working in the formal economy to mainstream high potential black business, in the financial sector to encourage linkages between South Africa and the United States, and in the policy arena to strengthen the black private sector voice in national and regional economic policy formulation and implementation. The Small Business Loan Portfolio Guaranty Program (funded by the Global Bureau) provides a 50% guarantee through six privately-owned South African banks for small and micro-enterprise loans. Moreover, training is provided to banks and borrowers to introduce them to non-collateral based lending techniques. Finally, the regional Southern Africa Enterprise Development Fund, in which South Africa participates, will provide term debt and equity funds, as well as technical assistance and training to small and medium size firms.

The Shelter and Urban Development Support Project is increasing the role of community-based organizations in local shelter planning and development, strengthening black construction enterprises, increasing the supply of private sector financing for low cost housing and infrastructure and assisting in the development of affordable shelter solutions. This project complements three Housing Guarantee programs - the Private Sector Housing Guarantee Project, the Basic Shelter and Environment Housing Guarantee Project and the Municipal Infrastructure Project. The first of these projects is with private sector credit facilities. The second two will be with the SAG at the national and municipal levels.

Related Activities. Related to this SO is the Disenfranchised Youth Program carried out under the Community Outreach and Leadership Development project within SO 1. The program provides job skills training, social services, internships and business-oriented training as part of a secondary school curriculum. Under SO 2, 327 scholarships were provided for business and management training in the United States.

Indicators. Indicators for measuring increased opportunities for asset ownership and economic integration at the strategic objective level are: increased access to financial resources as measured by the number of banks making small business loans under the Small Business Loan Portfolio Guarantee (LPG) program and the numbers of mortgages issued to disadvantaged applicants. In FY 1994, two banks were added to the LPG program bringing the total to six. Over 4,800 mortgages were issued in FY 1994 under the Private Sector Housing Guaranty. USAID will also be monitoring improvements in the policy environment. In FY 1994 the SAG named a Standing Committee for Small- and Micro-Enterprise and various local authorities simplified licensing requirements, to name a few changes. In the housing sector, the Ministry of Housing issued a White Paper outlining its strategy for reconstruction and development and the National Housing Finance Corporation finalized its business plan. In both of these instances USAID provided technical assistance.

Feasibility and Cost-effectiveness. USAID's Black Private Enterprise Development Project has provided \$40 million over the past six years to assist historically disadvantaged South Africans to overcome the political, regulatory, social and attitudinal constraints that have stemmed from apartheid and serving to prevent their equitable participation in the South African economy as owners and managers of private enterprises. In part, as a result of USAID-funded interventions, the majority population's stake in the new economy is increasing, as was recently illustrated when a majority-owned firm made its debut on the Johannesburg Stock Exchange. The new government has made the mobilization of local resources for assistance to the historically disadvantaged segment of the private sector one of its priority objectives, and particularly targets financial institutions, directing them to provide their services to small and medium-scale, black producers, especially in the housing sector. USAID's investment of \$30 million since 1992 in support of the improvement, production and ownership of affordable shelter is expected to play a role in "kick-starting" the economy. Pent-up demand for housing is huge. Domestic financial resources exist for redressing the deficit in housing and improving the quality of existing shelter. USAID's Housing Guarantee programs are designed to domestic resources towards

these ends, by leveraging South African capital in a 2:1 ratio to provide construction and mortgage finance and to develop models for future lending programs.

Progress in 1993-1994. In FYs 1993 and 1994, some 9,445 microenterprises received loans from local organizations; providing added growth and increased employment many small majority-owned firms were assisted to expand their role in the mainstream economy; majority-owned construction firms were helped to expand their operations and assist in meeting the critical shortage of affordable housing in South Africa; more than 4,800 low income families obtained access to private sector financing for low-cost mortgages for basic shelter; and over 23,000 serviced sites were financed at locations throughout South Africa for purchase by the disadvantaged majority. The Mission recently conducted a financial sector analysis which is helping determine how to address the financial and capital needs of the disadvantaged business sector. A private sector strategy and a set of tactics to guide future programming are being prepared.

Donor Coordination. USAID chairs both the Private Sector and Housing donor coordination groups. Other key participants are the World Bank, the European Union and the British Overseas Development Administration, all of whom are providing assistance in this sector.

Constraints. Business success hinges on the extent to which a favorable business climate can be created. Black businesses have been historically discriminated against on five counts: Regulations prohibited or hindered the development of non-white businesses; the educational system was premised on inferior education for blacks; lack of proper skills limited access to and appreciation of new technologies; the formal banking system ignored the majority population; and the concept of capitalism was equated with apartheid. All of these factors must be addressed to effect long-lasting, economic empowerment of the disadvantaged majority in South Africa.

**SO 4. Support Development of a System Providing Integrated Primary Health Care Service to the Majority Population (\$12,655,327 of which \$8,375,000 is for Economic Growth and \$4,280,327 is for Stabilizing Population Growth).**

Problems related to child survival, human development, HIV/AIDS, and tuberculosis, frequently addressed throughout primary health care, are as serious for the underserved population in South Africa as for the populations in other sub-Saharan countries. Activities under the strategic objective will be developed during FY 95. Activities will focus on restructuring, strengthening coordination and increasing efficiency and effectiveness of the public-sector health care delivery system. This is a new strategic area for USAID/South Africa. The new South African government is committed to the resolution of long-standing inequities in the delivery of health care to the disadvantaged population, including access to family planning. In FY 1995, in consultation with the government and NGO community, USAID designed a new project which will begin in early FY 1996. The project is intended to support the government's efforts to restructure the health system (focusing on "test" provinces) to be more efficient and effective, and better able to provide essential, equitable, quality health services to the entire population.

Activities. This SO is supported by one project: Equity in Integrated Primary Health Care (EQUITY). Through this activity in a "focus" province, the Mission proposes to increase access to an integrated package of primary health care (PHC) services; put into place an effective referral system; enhance the capacity to manage the integrated PHC program; increase efficiency and effectiveness of PHC service delivery; institutionalize the capacity for PHC training; and develop an improved information base for decision making, program implementation and management. Project implementation in the "focus" province and lessons learned will be used as a model for primary health care services delivery in other provinces of South Africa.

Related Activities. This project is the Mission's first comprehensive health program. Since 1992 the Mission has had an HIV/AIDS prevention program under the Community Outreach and Leadership

Development (COLD) Project, funded at approximately \$3.5 million per year. Due to the restrictions of the Comprehensive Anti-Apartheid Act of 1986, as amended, USAID was prohibited from working with the government or any organization funded or controlled by the government. Therefore, the HIV/AIDS prevention program was implemented entirely through non-government organizations. Currently, under the South African Democratic Transition Support Act of 1993, USAID can undertake direct project activities with the Government.

**Impact Indicators.** Impact indicators will include increases in the number of sites with integrated packages of services (including family planning), referral systems developed and implemented, clients referred, and training curricula designed and implemented.

**Progress in 1993-1994.** The project is in the design stage.

**Feasibility and Cost-effectiveness.** Genuine political goodwill to focus attention and resources on providing integrated primary health care to the previously underserved populations exists in South Africa. The Government of National Unity (GNU) is undertaking analysis and policy discussions with grassroots women's organizations, health workers, academics and policy makers, with the most recent political discussions being a women's health policy conference held in December 1994. The GNU is committed to addressing the underlying socio-economic and behavioral determinants to produce positive health outcomes. The economic analysis for the Project Paper will more clearly identify the costs of increasing the coverage of South Africa's health care system. A cost recovery/user fees effort will ease the need for budgetary increases. User fees have proven crucial in other health systems for maintaining an efficient, effective and consumer-driven health system. For these reasons, the project will be prepared to assist the government in examining issues and options surrounding health care financing in order to promote a sustainable and equitable system.

**Donor Coordination.** During the apartheid era, virtually no international or bilateral donor agencies supported health programs in South Africa. Since 1992, the majority of current activities are in the form of program planning and research rather than active interventions. The Kaiser Family Foundation is supporting an excellent program of research focusing on health systems management and primary health care, and is preparing to conduct a nationwide survey on access to health care. The initial work of the United Nations International Children Emergency Fund (UNICEF) and the World Health Organization (WHO) has concentrated largely on agreements and protocols, and their programs probably will focus respectively on children and women, and primary health care. The European Union (EU), one of the largest potential donors in the sector, is developing support for a large-scale program of training for district primary health care workers, and is equally interested in the areas of family planning, and STD/HIV/AIDS. The British Overseas Development Administration (ODA) is also working with the SAG to develop an overall management strategy for the health sector, and plans to begin work in early 1995. The Japanese Government is planning to provide health care buildings and medical equipment in three provinces. Other governments will be providing funding on a much smaller scale, probably concentrating on the government priority of primary health care. Since most of these activities are in the planning stages, it will be necessary to actively exchange information with other major donors during the conduct of project feasibility studies. Of the donor organizations identified above, the most important for collaboration are the Kaiser Family Foundation, the EU, and ODA. Preliminary discussions have already taken place, and coordination will continue to ensure that available resources will be used effectively in meeting South Africa's health needs.

**Constraints.** The South African government has initiated the restructuring process. This includes developing a single National Department of Health from 14 separate departments under apartheid. The restructuring also includes developing the nine provincial departments, including the linkages between these departments and the district level health authorities. Very substantial progress has already been made by the strategic management groups who have undertaken these complicated tasks. Additional work to be completed includes defining the boundaries of districts, defining and then setting up the new or changed administrative structures to accommodate restructuring. These structures include

equitable personnel systems, staff training, and reallocation of resources. Clearly, the continuing government efforts at restructuring are going to be demanding and complex. If the government is unsuccessful in aggressively launching restructuring at the national, provincial and district levels, the assistance and potential impact of the EQUITY Project could be severely limited.

#### **PROTECTING THE ENVIRONMENT (\$8,595,000).**

Under SO 3, USAID will also be carrying out a number of environmental activities under the aegis of its housing and urban development sector projects. Given the urban setting, these activities will address pollution and overuse as opposed to "green" environmental issues. Relevant project components include: provision of potable water; sewerage and storm water drainage; supply of electricity for heating and light; and road paving. These activities will contribute significantly to lowering air and water pollution levels, decreasing erosion, helping preserve forests and improving the health and wellbeing of occupants in low-income urban areas.

#### **OTHER DONOR RESOURCE FLOWS.**

In FY 1993, the United States, providing 19% of total Official Development Assistance (ODA) disbursements and 24% of total ODA commitments, was the largest bilateral donor and the second largest donor overall. Other major donors are the European Union, Sweden, the United Kingdom, Germany and Denmark.

**SOUTH AFRICA  
FY 1996 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Total
<b>USAID Strategic Objectives</b>					
1. Majority population participates more fully in the political development and governance of a democratic, human rights based South Africa.	--	--	--	20,227,567	20,227,567
2. Help establish a more equitable and effective education system.	41,000,000	--	--	--	41,000,000
3. Increased opportunities for asset ownership and economic integration for the historically disadvantaged.	49,400,348	--	8,595,000	--	57,995,348
4. Support development of a system providing integrated primary health care services to the majority population.	8,375,000	4,280,327	--	--	12,655,327
<b>Total</b>	<b>98,775,348</b>	<b>4,280,327</b>	<b>8,585,000</b>	<b>20,227,567</b>	<b>131,878,242</b>

USAID Mission Director: Leslie A. Dean

## TANZANIA

FY 1996 Development Fund for Africa Request: .....	\$38,329,262
FY 1996 Development Assistance Request: .....	\$4,303,000

Although extremely poor, Tanzania remains one of the most politically stable and economically promising countries in Africa. Progress in economic reforms since 1986 has led to significant results. The U.S. foreign-assistance program in Tanzania recognizes the country's role and position as a stabilizing influence among some of its troubled neighbors. Tanzania is part of two major international initiatives: the Greater Horn of Africa Initiative and the Initiative for Southern Africa, which are intended to assist both the eastern and southern Africa regions to overcome poverty, conflict and ethnic strife and put themselves on the path to sustainable development. The proposed assistance program in Tanzania promotes U.S. national interests through: 1) support for a moderate and stabilizing country at the crossroads of East and Southern Africa, 2) the creation of a modern economy with democratic institutions which reflect the aspirations of the people; and 3) investments in economic growth and well-being which reduce poverty and raise incomes and create potential markets for U.S. goods and services.

**The Development Challenge.**

The development challenge in Tanzania is understood by the government and most donors: to move the economy from 25 years of near-total state direction and control to an enabling environment conducive to the development of strong private-sector activity. The per-capita annual Gross Domestic Product (GDP) of \$120 makes Tanzania one of the poorest countries in Africa and in the world, severely limits domestic investment, and encourages dependence on external assistance. Nearly 80% of the population is rural. However, agriculture supplies less than 50% of GDP, due largely to inadequate infrastructure, which hampers the efficiency of the rural productive base and magnifies the cost of inputs. Recurrent droughts and periodic refugees from troubled neighbors force Tanzania to import food, in an age when world market prices for traditional export crops (coffee, cotton, cashews) are relatively low. An estimated 60% of the 28 million population is under age 25, the group most vulnerable to Tanzania's raging Acquired Immune Deficiency Syndrome (AIDS) pandemic.

Yet Tanzania is rich with promise and possibility. Despite inefficiency and a continuing need for reform, there has been progress in establishing a strong private sector. This is illustrated by an average annual GDP growth rate of 4.0% which is encouragingly above the high population growth of 2.8%. Basic natural resources abound: a highly literate population is united by one common language; major natural ports exist along the 400-mile coast of this largest country in East Africa; more than sufficient thermal and hydro-energy pools remain unexploited; animal wildlife is the most varied and abundant in the world; and only one-quarter of the productively arable land is cultivated. Eight years of economic and political reform have removed many vestiges of a generation of socialism and one-party rule, opening the door for private-sector-led progress.

U.S. assistance is focused on rebuilding the financial and physical infrastructure necessary for private-sector entrepreneurial capacity and confidence, both urban and rural. Economic gains from this orientation towards the private sector are being safeguarded through improved AIDS control, population planning, better planned use of natural resources and enhanced civic education in support of improved governance.

**Strategic Objectives (SOs).**

USAID is pursuing three strategic objectives in Tanzania. Additionally, the program consists of important activities in training, natural environment and civic education, which cut across sectoral boundaries to promote achievement of these strategic objectives.

**ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$25,238,817).****SO 1. More effective infrastructure services delivered (\$8,980,000).**

An adequate physical infrastructure is essential to all economic activity in this largest country with the least dense and most widely dispersed population in East Africa. Lack of urban-rural telecommunications reinforces limitations imposed by a severely deteriorated road network. These infrastructure needs discourage foreign and domestic investment, constraining economic growth. USAID activities under this SO have a direct effect on rural incomes, national food security, the distribution of economic and governance information, and the availability of health-enhancing materials and information.

**Activities.** Activities will continue to support opportunities for increased employment and incomes, primarily in rural areas. The Agricultural Transport Assistance Program (ATAP) will continue to utilize local-currency generations to finance private-sector contractors in rehabilitating and maintaining rural roads; technical and material assistance provided through the centrally-funded Housing and Urban Development Project is guiding the National Housing Corporation in privatizing its widely-dispersed inventory of 25,000 real properties; and the Rural Telecommunications project will assist in attracting a U.S. telecommunications firm to establish a fully private, commercially-viable, self-sustaining rural telecommunications company to support every aspect of social and economic activity, including linking rural agricultural-production areas with urban traders to facilitate exports and improve distribution to domestic food-insecurity areas.

**Related Activities.** The provision of complementary technical training in supportive public- and private-sector institutions is enhancing domestic capacity to sustain these infrastructure improvements.

**Indicators.** The indicators for measuring progress toward achieving this objective are to: (1) increase the total kilometers of rehabilitated roads from zero in 1990 to 1000 kilometers in 1996; (2) increase the population served by rehabilitated all-weather roads within the zones of influence from zero in 1990 to 235,000 in 1996; and (3) reduce freight-haulage costs by 22% on USAID-funded rehabilitated roads by 1996.

**Feasibility and Cost-effectiveness.** Deteriorated or nonexistent physical infrastructure discourages investment, restricts economic growth and eliminates opportunity for individual advancement. Key infrastructural improvements in rural roads and rural/urban telecommunications will connect an increasing share of the rural population to major urban installations being implemented through other-donor programs. USAID efforts at the rural level are being achieved through policy reform, institutional strengthening, and the provision of foreign exchange for import financing and local currency to finance private-sector contracts for rehabilitation and maintenance. The emphasis on demonstrating how specific public services may viably be provided by the private sector is increasing private-sector capacity and efficiency. Rural road rehabilitation is targeted to promote a 22% reduction in freight-hauling costs. The policy dialogue, backed up by \$500,000 in technical and material assistance to the National Housing Corporation, promotes privatization in this sector, leading to the availability of these assets as collateral for an indeterminate level of domestic investment.

**Progress in 1993-1994.** In 1990, USAID introduced socio-economic baseline surveys for areas of upcoming road rehabilitation to measure impact. That practice has gradually been adopted by the Government and other donors, and in 1993 it was incorporated into the Tanzanian Ministry of Works manual for its Rural Roads Program. In three years, the freight costs per metric ton per kilometer have been reduced over 11% for about \$20 million worth of agricultural production hauled over 488 kilometers of USAID-rehabilitated roads, benefiting more than 180,000 rural inhabitants residing within the limited zones of influence. Program sustainability is developing simultaneously as the Government of Tanzania collects an increasing share of maintenance costs through user fees.

**Donor Coordination.** Fifteen donors, including USAID, are involved in promoting rehabilitation and maintenance of rural roads. Donor coordination in this area has improved efficiency and transparency in Government contracting procedures; the use of indigenous private-sector contractors for nearly all rehabilitation and maintenance work; and program sustainability through increased Government reliance on user-generated road taxes. In the telecommunications sector USAID assistance is provided within the framework of a major multi-donor program to the Tanzanian Government's Telecommunications Restructuring Program, with overall funding commitments of about \$250 million. Participating donors include the World Bank, African Development Bank, the European Union, Denmark, Sweden, Japan, Kuwait and Belgium. USAID's unique involvement was welcomed because it promotes private-sector involvement and benefits for the rural population.

**Constraints.** Tanzania's local private construction industry is in its infant stage and lacks experience in delivering efficient and effective services. Additionally, the industry and the economy lack capital for equipment and operational costs. Lack of reliable construction insurance also retards the industry's development. In the telecommunications area, official Government policy encouraging investment is neither well understood nor accepted by all implementing agencies, leading to delays and confusion that discourage investors. The housing privatization effort can be limited by a continued shortage of private savings and viable financial institutions to provide capital for home financing.

SO 2. Increased formal private-sector participation in the economy (\$4,907,937 of which \$2,010,000 is for Economic Growth and \$2,897,937 is for Building Democracy).

Twenty-five years (1962-1987) of comprehensive and experimental socialism in Tanzania eliminated private-sector activity from the open formal economy and it survived only in rural agricultural areas or the small informal sector. Currently, the pro-business policy of the Government has created promising opportunities for formal private sector growth, the skills for which must be relearned by a new generation of indigenous entrepreneurs. The policy and legal stages have been set through extensive reform efforts, although actual implementation remains in an early stage. The availability of capital for investment, and technical and managerial skills, are particularly limited.

**Activities.** Activities under this objective address practical impediments in financial and business development, the policy constraints which inhibit private-sector growth and productive employment, and emphasize rebuilding the financial sector. Project interventions were originally identified through close collaboration with a private-sector advisory group of local entrepreneurs, and closely complement Government and other donor efforts dismantling the parastatal economy with its remaining 400 enterprises.

USAID is providing private business-support services through a Business Services Center (BSC), Tanzania's first Venture Capital Fund (VCF), and a unique \$36 million Social Action Trust (SAT). The SAT is simultaneously providing local currency for private-sector investment and utilizing the profit for grants to Non-governmental Organizations (NGOs) working to alleviate the problems of orphans, primarily the result of the AIDS pandemic. The BSC will expand its services into rural areas in 1996 and begin training in financial services for rural entrepreneurs.

A micro-enterprise credit activity will start in 1995 in response to feasibility studies that confirm the necessity of providing financial services at the micro- and small- business levels. Implementation studies are underway to involve the active participation of a local bank. Complementary efforts through formal training are improving managerial and technical skills among staff in financial and other supportive institutions, and making it possible for increased accountability in the public and private sectors, thus enhancing the overall environment for better governance and continued expansion of private-sector growth, formal and informal.

**Indicators.** The indicators for measuring progress toward achieving this objective are: (1) the number of clients served at the BSC and the VCF; and (2) the number of new employees generated directly by firms utilizing the services of the BSC and the VCF.

**Feasibility and cost-effectiveness.** The individual components of each activity in this SO respond to needs identified by private-sector entrepreneurs, i.e., Tanzanian entrepreneurs willing to pay for the services to be provided by these activities. Except for some of the classroom training being provided, every other component of the program herein depends upon private-sector demand and willingness to pay for those services. Competition and marketplace demand for cost-effectiveness will determine the continued provision of services under this SO. Studies being conducted with local Chambers of Commerce are providing recommendations for increasing management efficiency while reducing costs and the opportunities for corruption.

**Progress in 1993-1994.** The Central Bank has withdrawn from commercial banking activity and improved its monitoring capabilities. New private commercial banks have been licensed, one of which opened in mid-1993, and two others in 1994, with licenses granted to other financial institutions in 1994. Tanzania's first Venture Capital Fund officially opened its doors for business in October 1993, and has already attracted \$8.5 million from a mix of NGO and private investors. The World Bank and Norway are now considering replication of the venture capital approach. The move toward privatization has also included Government completion of the necessary groundwork for a private-sector insurance industry, the introduction in 1994 of market-based interest rates, and an inter-bank foreign-exchange-rate system. As a result, there are larger numbers of firms and individuals that are now being served by the BSC and the VCF.

**Donor Coordination.** The 1994-1997 Policy Framework Paper (PFP) agreed to by the Government and World Bank/International Monetary Fund (IMF) for a structural adjustment program provides an extremely comprehensive framework within which donors can work productively to strengthen the financial sector. Donors, including the World Bank, the United Nations Development Program, the IMF and France, are taking steps in this direction. The PFP also provides a sound framework for policy and practical support to private-enterprise development. USAID is the only donor which is approaching the issues through solutions at the banking level.

**Constraints.** Political and economic reform has thus far been largely managed by the ruling party, through the Government. Recent events suggest that the Government may be increasingly reluctant to respond to further pressure for reform. Entrenched bureaucrats protecting the status quo and preparations for the general elections in October 1995 may slow the pace of reform. USAID plans to utilize training resources to address economic growth needs, particularly the shortage of managerial and technical skills for personnel in a variety of financial institutions and the private sector.

**SO 3. Increased use of family planning and HIV/AIDS preventive measures (\$18,869,325, of which \$12,048,817 DFA is for Economic Growth and \$6,820,508 --\$2,517,508 DFA and \$4,303,00 DAF-- is for Stabilizing Population Growth).**

The Tanzanian population is growing faster than employment in the formal sector, and population growth has already outstripped Government capacity to provide adequate health and education services. Moreover, an estimated 5% of the total population is HIV-positive and concentrated within the most productive groups in society. Relying on greater use of the private sector and NGOs, USAID's family-planning endeavors focus on lowering fertility, while the HIV/AIDS effort seeks to prevent the spread of AIDS and lessen its impact, especially on orphans.

Relying on NGOs and the private sector, as well as public-sector institutions, USAID has identified lower fertility and AIDS prevention as ways it can contribute to stabilizing population growth and contributing to economic growth in Tanzania. Lower fertility is linked with lower population growth (through lowering of the crude birth rate) and better health for both mothers and infants. Practice of

AIDS preventive measures assures that the most productive age group--working-age adults--will not die prematurely, hence affecting the quality and quantity of the workforce and further increasing the dependency ratio.

**Activities.** USAID's newest activity in this area, the Tanzania AIDS Project (TAP), is educating high-risk groups about the dangers of AIDS, and promoting the distribution of condoms. TAP seeks to stimulate growth of an indigenous NGO response to the AIDS pandemic through expansion of prevention activities and education, and provides help to the victims and survivors of AIDS. Project sustainability is promoted through creation of a private-sector-based marketing and distribution system for condoms and other health products. Formal and on-the-job training is enabling Tanzanians to manage programs without external assistance.

In the population/family planning area, the Family Planning Services Support Project (FPSS) provides funds and technical assistance to: train clinic-based service providers; promote community-based distribution; develop a network of clinics providing long-term and permanent methods of contraception; provide contraceptive commodities and vehicles for transport and supervision; and support a wide variety of information/education and communication activities. Additional studies contributing to the population data base will include an appraisal of the efficiency of private health activities. Another study will help the Government determine the recurrent budget costs required to support family planning and AIDS prevention programs. National-level Demographic and Health Surveys and other studies will provide information for both AIDS and population progress.

**Indicators.** The indicators for measuring progress toward achieving this objective are: (1) lowering the infant-mortality rate; (2) lowering the child-mortality rate; (3) an increased use of family planning and HIV/AIDS preventive measures as measured by modern-method contraceptive prevalence (CPR), estimated to be 13.4% in 1994 for married women; and (4) increased condom use.

**Feasibility and Cost-effectiveness.** These programs work and are effective because: (1) the Government strongly supports enlightened population and AIDS-prevention policies; (2) both programs are well integrated into the existing structure of public and private facilities; (3) the approach in the population area has been to train local managers, service providers and other professionals so that the need for outside technical assistance decreases; and (4) in the AIDS area, innovative work in social marketing is informing people about AIDS through a for-profit distribution system to recoup some costs and increase accessibility of AIDS-prevention commodities.

**Progress in 1993-1994.** The final report for the Tanzania Demographic and Health Survey (TDHS) was released by the Government in May 1993, and the Family Planning Situation Analysis (FPSA) was released by the Ministry of Health in August 1993. Another national Knowledge/Attitudes/Practices survey was conducted in 1994 with very promising results. These mark the beginning of an era for the National Family Planning Program because credible and necessary baseline data are now available for sound policy decisions and for monitoring the program.

Improved logistics is playing an important part in advancing the spread of relevant information and the availability of services through transportation equipment provided by USAID. The use of contraceptives (CPR) has doubled from 7% to 13% (modern methods) and from 10% to 20% (all methods). A system for training trainers and service providers has been put into place, and the choice of contraceptive methods, including permanent methods, has been widened. In the AIDS area, all regions of the country have been assessed for the potential of NGOs to participate in AIDS-prevention activities.

**Donor Coordination.** The United Nations Family Planning Association is the only other significant donor presently active in the population sector. However, USAID has encouraged other donors, notably the United Kingdom and Germany, to make significant contributions of contraceptives. In the area of AIDS, most of the major donors in Tanzania have recognized the severity of the epidemic and have

assisted to combat the pandemic. Major programs are financed by Denmark, United Nations agencies, the European Union, the United Kingdom, the World Health Organization, Sweden, Norway, Belgium and the World Bank. AIDS donor-coordination meetings occur more frequently than the scheduled quarterly donor meetings.

**Constraints.** Constraints to success are mainly financial and administrative. Interest in practicing modern child-spacing methods, increased concern about HIV/AIDS, and an ability to deliver more effective family-planning and AIDS services mean that program success is generating a need for more donor funds. While the Government of Tanzania has begun to solicit other donors, overall funding remains short. Another constraint is the ability of the Tanzanian infrastructure to manage programs effectively. Both the Government and NGOs have limited staff.

#### **PROTECTING THE ENVIRONMENT (\$7,075,000).**

**Natural Resources Management.** In addition to the objectives discussed above, USAID will build on assistance provided in recent years for policy reform by the Wildlife Division of the Ministry of Tourism and Natural Resources which was channeled through the African Wildlife Foundation and the World Wildlife Fund. That earlier assistance has improved management planning and practices among Tanzania's wildlife authorities, made possible a comprehensive review of each component of the wildlife sector, and will form the foundation of a community-based conservation activity to focus on preservation and economic utilization of Tanzania's diminishing wildlife resources.

A complementary, larger activity, Sustainable Environmental Resources through Participation (SERP), will provide a coherent program of assistance in 1996 incorporating food security and environmental concerns. SERP will include policy and institutional reforms and community development, to create conditions where participatory and sustainable water-systems management can exist. Small-scale irrigation rehabilitation based on community participation will be combined with catchment and natural-resource protection activities. USAID plans to expand this enlarging body of environmental activities into a strategic objective.

#### **BUILDING DEMOCRACY (\$3,497,937).**

In addition to \$2,897,937, as discussed under SO 2, above, USAID's Governance in Tanzania project will support Agency governance objectives with assistance in the amount of \$600,000 through a civil society strategy based on improving the administration of justice, the quality of public media, the effectiveness of key voluntary organizations, and the depth and breadth of civic education activities. Other democracy/governance activities include training and institutional development which will help build the capacity of local organizations and constituencies to participate in reform efforts.

#### **Cross-cutting Issues.**

##### **Human Resources Development (\$ 2,800,000)**

USAID will continue to support the leadership and management training of Tanzanians in an effort to strengthen a more open and democratic society. Specific training will concentrate on leadership skills with a particular focus on democratic governance.

##### **Other Donor Resource Flows.**

In FY 1993, the United States provided about 3% of all donor assistance to Tanzania. Other major donors are: United Nations agencies, World Bank, IMF, the European Union, Denmark, Norway, Sweden, Japan, the Netherlands and Germany.

**TANZANIA  
FY 1996 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Total
<b>USAID Strategic Objectives</b>					
1. More Infrastructure Services Delivered.	8,980,000	--	--	--	8,980,000
2. Increased Private Sector Participation.	2,010,000	--	--	2,897,937	4,907,937
3. Increased Use of Family Planning and HIV/AIDS measures.					
Dev. Fund for Africa	12,048,817	2,517,508	--	--	14,566,325
Dev. Assistance Fund	--	4,303,000	--	--	4,303,000
<b>Cross-cutting Issues:</b>					
Natural Resources Management	--	--	7,075,000	--	7,075,000
Human Resources Dev.	2,200,000	--	--	600,000	2,800,000
<b>Total</b>	<b>25,238,817</b>	<b>6,820,508</b>	<b>7,075,000</b>	<b>3,497,937</b>	<b>42,632,262</b>

USAID Mission Director: Mark G. Wentling

## UGANDA

FY 1996 Development Fund for Africa Request: .....	\$38,531,278
FY 1996 Development Assistance Request: .....	\$7,135,000
FY 1996 P.L. 480 Title II Request: .....	\$3,731,000

Uganda, one of the world's poorest countries, suffers from many of the ills that affect Africa, including inadequate institutions and social services plus low economic productivity. These general maladies were substantially exacerbated by the political chaos and physical violence of the 1970s and 1980s. In spite of these difficulties, Uganda has managed to achieve a reasonable measure of stability. The emergence of a democratic constitutional process has begun and for the first time in over fifteen years, Uganda is enjoying economic growth and some prosperity. The USAID program has played a vital role in Uganda's political and economic transformation. The major focus of the USAID program, broad-based economic growth, is also important in the larger context of the Greater Horn of Africa. Uganda is currently a major source of food in the Greater Horn. Only through political stability and economic growth can the Greater Horn countries become self-sustaining and avoid recurring cycles of famine and other disasters. The U.S. assistance program supports U.S. interests by promoting free-market development and an evolving democratic governance that will help to ensure stability, economic growth and constitutional democratic reform in Uganda.

#### The Development Challenge.

Uganda has a low life-expectancy rate and a low per-capita gross domestic product (GDP) of \$170. Of children who start primary school, only one in five completes grade seven. Despite such negative social indicators, since assuming power in 1986 the National Resistance Movement government has reversed the downward spiral by liberalizing the economy, improving social services and democratizing the political system. The most dramatic event of the past year, the first free and fair election in the history of Uganda, selected a constituent assembly to draft and ratify a new constitution. Several other equally important events took place including: the continued growth of the economy at more than 4.5%; demobilization of 23,000 soldiers (approximately 1/3 of the Ugandan army); and a 10% increase in farmer incomes. Uganda's economy continued to grow at a solid pace. The overall economy grew by 4.5% in 1993/94, a slower rate of growth than the 7.0% rate registered in 1992/93 because of poor rains, and total agricultural output grew by 1.7% in 1993/94, declining from the 9.2% growth rate in 1992/93 for the same reason. Reforms already implemented which have influenced these positive indicators include: freeing prices and the exchange rate; removal of most non-tariff trade barriers; lowering of tariffs and streamlining of import procedures; implementation of a new investment code; return of expropriated Asian properties; reorganization of revenue collection; and civil-service reform. A new constitution is expected to be ratified by July 1995. Presidential and parliamentary elections are scheduled for December 1995. Significant development challenges remain, but sufficient progress has been made to state that the completion of the transition to a free-enterprise, constitutional democracy is in sight.

#### Strategic Objectives (SOs).

USAID/Uganda is pursuing four strategic objectives which fit within three of the Agency's four strategy areas. In addition, the program also supports activities in education and training designed to develop Ugandan civil society.

**ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$31,700,062 of which \$27,665,062 DFA and \$4,035,000 DAF).**

**SO 1. Increase rural men's and women's incomes (\$10,482,000 of which \$10,247,000 DFA and \$235,000 DAF).**

Approximately 90% of Uganda's population lives in rural areas, is employed in the agricultural sector and is producing nearly 90% of the country's GDP. In addition, all of Uganda's exports are agriculture-based. USAID's objective is to raise currently low income levels by concentrating on increasing labor productivity. Improvements in productivity will increase the volume of goods available domestically, improve the capability of Uganda to service external debt, and pay for necessary imports. Achieving this objective is an essential condition for improving the lives of Ugandans.

**Activities.** Assistance under this SO includes activities which: 1) support the development of agricultural products for export to other African countries and European markets; 2) create and expand small businesses and micro-enterprises; 3) encourage the improvement of the policy and regulatory environment; and 4) assist small farmers and entrepreneurs in obtaining credit from local sources. They also include training, where appropriate, and concentrate on the major problems which inhibit growth and productivity in Uganda's private sector and expansion of its markets for exports, especially non-traditional agricultural exports (NTAEs). Other activities include providing assistance to develop Uganda's edible oils industry.

**Indicators.** Two indicators will be used to measure progress towards achieving this incomes objective: (1) an annual 3.5% increase in average rural household expenditures; and (2) an annual 20% increase in total returns to rural producers' labor from major NTAEs.

**Feasibility and Cost-effectiveness.** Uganda is well situated to encourage the development of a vibrant commercial agricultural-export economy. It has fertile soils, reliable rains, and a climate that is suited to the production of abundant temperate and tropical crops. Exports of high-value, agricultural commodities to European markets have proved feasible in small-scale trials, and analysis suggests strong potential for expansion across a wide range of commodities. Uganda's comparative advantage in food-crop production in the Greater Horn provides a major opportunity. The market for food crops in Africa is substantial; for example, USAID's \$25 million investment through the Investment in Developing Export Agriculture (IDEA) project is designed to boost the production of corn, beans, spices, flowers and vegetables with an internal rate of return of 93%. It is anticipated that NTAEs, which totalled \$37.7 million in 1991, will exceed \$100 million by 1997.

**Progress in 1993-1994.** Total returns from NTAE commodities to rural producers increased by an average annual rate of 30% in real terms over the past three years, or about ten times the growth rate of per-capita GDP during the same period. Simultaneously, there was an 11% increase in NTAEs, reaching \$60 million in 1993. These are both positive, encouraging indicators. In 1989, there were only three such commodities; in 1993, there were nine. Approximately 10,000 farmers are involved in programs designed to increase production of these commodities. Women farmers play a particularly significant role in their production, and have benefitted by gaining a degree of control over money which they have not previously had. For example, since 1991, women vanilla farmers have seen incomes increase by 40%. One result is that household expenditures for school fees, medical care and food have increased by 35%.

**Donor Coordination.** Donor coordination is excellent and reflects a consensus on the validity of USAID's approach. On agricultural exports, USAID is working with the European Union, the International Bank for Reconstruction and Development (IBRD), and the Netherlands Government. The IBRD plans to initiate a program that will complement the Private Enterprise Support Training and Organizational Development project.

**Constraints.** Instability in the region has the potential to spill over into Uganda and disrupt regional trade. A strong infrastructure needs to be built and maintained. The standards of the export market are high, and many African farmers and exporters initially have trouble meeting international standards. Other constraints include the lack of facilities to process primary agricultural products into finished products and a land tenure system which often leaves farmers without clear title to their land.

**SO 3. Improve the quality and efficiency of basic education (\$14,750,000 of which \$14,300,000 is Development Fund for Africa Funds and \$450,000 is Development Assistance Funds).**

Rebuilding the education sector is a vital element in Uganda's quest for an economically viable, democratic society. Although the adult-literacy rate is estimated at 48%, down from 60% a decade ago, it is still the lowest in east and southern Africa. USAID is supporting far-reaching reforms in primary education aimed at raising quality and increasing equity in the system.

Activities. The USAID Education Reform program is designed to increase the professionalism and skills of primary-school teachers by providing teacher training and improving teacher salaries. It also provides appropriate instructional materials and improves access for disadvantaged groups, especially girls.

Indicators. Indicators, focussing on long-term gains in student achievement, include: (1) increasing the percentage of pupils who pass grades 1-7; and (2) decreasing the number of school-years provided per primary-school graduate. Even small decreases in repetition and drop-out rates yield big savings that can be used to improve quality and expand access.

Feasibility and Cost-effectiveness. There is a high degree of inefficiency in Uganda's primary-education system. To illustrate, because of high drop-out and repetition rates, for each 1992 graduate of seven years of primary education, Uganda actually expends resources equivalent to 32 years of schooling. Consequently, Uganda cannot afford to educate all of its children: only 53% of school-age children were enrolled in 1992. The cost-effectiveness of basic-education reforms lies in the wide margin of gains that can be realized in reversing these inefficiencies.

Program feasibility is evident in the comprehensive nature of Uganda's Primary Education Reform Program, the high degree of collaboration among the Government of Uganda (GOU), USAID, the World Bank and other donors, and the availability of resources to encourage a systematic approach aimed at reversing decades of decline in the educational sector. To date, the key to success of the program is measured by the GOU's commitment to increased spending on education, a sector in which politically difficult reforms are needed. Education expenditures increased from 18% to 23% of the recurrent budget during the 1990-1993 period, surpassing spending on the military for the first time in 20 years. In three of the last four years, the proportion budgeted for primary education also rose.

Progress in 1993-1994. Primary-education reform was launched in August 1993. By December 1994, tangible improvements were evident throughout the system: teachers' salaries had moved halfway to the defined minimum living wage; the GOU was allocating funds for instructional materials and had placed orders for 718,000 core textbooks; and 100 primary schools were awarded competitive grants to encourage girls to attend school. An in-service training system to upgrade over 30,000 untrained teachers was launched. Construction of over 3,000 classrooms has started, administrative-oversight procedures are being reinstated, and reform of the examination system is underway.

Donor Coordination. USAID's Education Sector Reform program has leveraged an additional \$60 million from the World Bank. Joint conditionality and a unified Primary Education Reform Program management structure have created a dynamic partnership that is a model of effective donor collaboration.

Constraints. A key constraint to the success of these basic-education reforms, particularly in terms of their sustainability, is the severe pressure of Uganda's budget situation. Fiscal revenues are less than 10% of GDP, and increasing this percentage in the near future will occur slowly, at best. The GOU has an enormous deficit budget which is heavily supported by donors. On the expenditure side, not only must teachers' salaries be increased, but so, too, must those of the entire civil service. This fiscal juggling act will continue for some time, until planned tax-reform measures take hold. Until that

time, donors must be prepared to cover this deficit, which will continue to decline as the economic reforms deepen.

**SO 4. Stabilize the health status of Ugandans (\$12,919,562--\$6,869,562 DFA and \$6,050,000 DAF-- of which \$6,468,062 is for Economic Growth and \$6,451,500 is for Stabilizing Population Growth).**

Uganda has the lowest life expectancy in the world. The average life expectancy at birth is now 37 years (down from 48 years in the mid-1980s), and is expected to drop to 31.5 years by 2010. Human immuno-deficiency virus (HIV) infection rates in pregnant women, the most reliable data available, are still in the range of 25% in the capital city of Kampala. The U.S. Census Bureau asserts that the Acquired Immune-Deficiency Syndrome (AIDS) epidemic in Uganda will cause changes in the country's demographic trends over the next decade, with major impact on population size, premature adult deaths, the dependency ratio, and infant-mortality rates.

**Activities.** USAID identified the high rate of infection for AIDS and the low rate of contraceptive usage as critical issues that must be addressed to maintain the health status of Ugandans. A set of integrated activities has been developed which concentrate on providing clinical and counseling services in family planning, treatment and prevention of sexually-transmitted diseases, and HIV testing and counseling for AIDS prevention. Information, education, training and social marketing of contraceptives programs are also important components of this integrated approach.

**Indicator:** Impact of the program will be measured by reduced HIV transmission in intervention areas.

**Feasibility and Cost-effectiveness.** Current high rates of HIV infection make the achievement of near-term impact extremely challenging. It is encouraging to note, however, that recent data from the Ministry of Health show that HIV infection rates among pregnant women attending antenatal clinics in Kampala and other urban sites have declined slightly, but consistently, between 1992 and 1993. These findings suggest that achievement of this strategic objective is feasible. A study of the cost-effectiveness of certain interventions is being conducted.

**Progress in 1993-1994.** In addition to the decline in rates of HIV infection noted above, evaluations of USAID interventions have documented significant changes in sexual behavior. Recent evidence indicates that persons who participate in HIV tests and counseling are adopting safer sex practices, including increased condom usage, a reduction in the number of partners, and abstinence. Members of communities which have benefitted from USAID-funded AIDS education projects report decreases in casual sexual partners and increased condom use. Condom sales in the social-marketing program totaled 2.1 million in 1993, an increase of 66% over 1992. Sales in the first half of 1994 have already exceeded the total of 2.1 million for 1993. In addition, over 13.5 million condoms were distributed free of charge in 1993.

**Donor Coordination.** Donor coordination in the health sector has been very strong in Uganda. USAID's \$25 million Delivery of Improved Services for Health project has leveraged an additional \$50 million health-sector loan from the World Bank in parallel financing. USAID co-chairs a social-sector donor sub-group, responsible for coordinating external resource allocations for the social sectors in Uganda.

**Constraints.** Approximately 90% of the Ugandan population lives in rural areas. USAID-funded projects have provided community-wide AIDS education to rural areas, but the provision of specialized services such as HIV testing and counseling, and the diagnosis and treatment of sexually-transmitted diseases in rural areas, remains more difficult. Another constraint to improving the health status is the heavy demand on the dilapidated health-care system created by the dual epidemics of AIDS and tuberculosis. It is estimated that more than 50% of all hospital beds are now occupied by persons infected with HIV. The increasing need for palliative care for persons dying with AIDS will prevent the already inadequate number of health personnel from devoting their efforts to preventive health interventions.

**PROTECTING THE ENVIRONMENT (\$6,471,600).**

**SO 2. Stabilize biodiversity in target areas (\$6,471,600 of which \$6,271,600 is Development Fund for Africa and \$200,000 is Development Assistance Funds).**

In the 1960s, Uganda earned more money from tourism than did Kenya. Tourism could again become a major source of income and employment if the management of the protected areas in Uganda could be improved to the point where biodiversity of the region is maintained. USAID's experience indicates that Ugandans will participate effectively in programs designed to sustain biodiversity when there are appropriate benefits.

**Activities.** The Action Program for the Environment is the main USAID activity designed to improve Uganda's performance in maintenance of natural resources and the environmental base. The activity has two main components: (1) policy reform; and (2) rehabilitation and resource conservation. Progress to date has been impressive: a national environmental action plan has been adopted and is being implemented. Several non-governmental organizations (NGOs) are implementing conservation activities to protect biodiversity of the new-protected areas which were established through the intervention of the program.

**Indicators.** Target indicators for measuring progress in the achievement of this SO include: (1) maintaining the current level of tree, mammal and bird species; and (2) increasing the percentage of people who derive benefits from activities related to protected-area management.

**Feasibility and Cost-effectiveness.** Over the past five years, USAID has supported small regional efforts designed to involve the local population in profitable conservation programs within protected areas. Evidence from these activities suggests that this model is effective at protecting the ecology. There is also evidence to demonstrate improvements in the economic welfare of the local people. The costs of the initial program met reasonable standards of cost-effectiveness, which suggests that an effective national program is achievable.

**Progress in 1993-1994.** Progress has been substantial, with the number of tourist visits reaching 40,000 in 1993. This represents an increase of 82% over the previous year. National park revenues from users' fees doubled during this same period. These fees are used to finance improvements in the parks. Similarly, employment in the parks for residents of nearby communities increased by 20%, from 525 to 630 persons. Preliminary data indicate key species such as gorillas, elephants, antelopes and mahogany trees are increasing.

**Donor Coordination.** USAID and the World Bank are the main donors in this sector. Other donors include the Netherlands, German Technical Assistance, and Danish International Development Agency. Coordination among the donors has been highly effective, marked by frequent consultations.

**Constraints.** A promising beginning has been made in managing the natural-resource base of Uganda on both a sustainable and profitable basis. However, much remains to be done, and many obstacles must be overcome. There is a growing demand for farm land in Uganda, and while the agricultural potential of the protected areas is minimal, the landless maintain pressure to farm these areas. The need for fuelwood also poses a continuing risk to protected areas. Tourism itself, while offering the potential for significant revenue and employment, brings potential stress to the National Parks System, and will have to be carefully managed. The Uganda National Parks System has adopted a sound set of policies, but has not yet demonstrated that it has the capacity to manage these resources on a sustained basis.

A Demographic and Health Survey (DHS) conducted in 1988/89 provided the first new information on population issues in many years. The DHS revealed that, on average, Ugandan women bear 7.4 children during their reproductive lives. This is one of the highest fertility rates in the world. At the

time, only 2.5% of married women were found to be using a modern method of contraception, one of the lowest contraceptive-prevalence rates in the world. The compelling need for increased service availability and trained service providers was apparent and became the focus of USAID family-planning activities.

**Activities.** USAID has been a major contributor to family-planning activities and the primary donor of contraceptives for almost a decade. A new reproductive health project combines activities in family planning, sexually-transmitted diseases (STDs) and HIV/AIDS prevention within 10 of Uganda's 39 districts. The project is designed to contribute to the improved health of Ugandans by lowering fertility rates and high-risk pregnancies, improving child spacing and reducing HIV transmission. The project is taking an integrated approach toward improving health services by upgrading the performance of health-providers through training and by providing necessary equipment. A major initiative will improve STD services which are especially underdeveloped due to serious shortages of trained staff, drugs and related supplies.

**Indicator.** The indicator that is being used to measure progress is a reduction in the total-fertility rate, from 7.4 to 6.9 in intervention areas by 1999.

**Feasibility and Cost-effectiveness.** In spite of problems that exist within the national health system, there has recently been a substantial increase in the utilization of family-planning services, and a dramatic increase in the number of condoms distributed in Uganda. There remains a significant, and as yet unmet, demand for family-planning services. The fact that condom sales continue to rise also demonstrates that Ugandans are interested in family-planning services, and are willing to pay a modest amount for such commodities as condoms. USAID will continue to fund cost-recovery projects which will be implemented primarily through NGOs and private facilities.

**Progress in 1993-1994.** Aside from the increase in condom sales noted earlier, many of the family-planning activities initiated as part of the predecessor project have been completed and were evaluated during 1994. Conclusions and recommendations from these projects will be used to strengthen the design and implementation of new family-planning activities that will begin this year under a new health project. While changes in fertility are not measured annually, the Ministry of Health reports that limited surveys within selected areas estimate contraceptive-prevalence rates at approximately 10%.

**Donor Coordination.** Donor coordination, jointly led by USAID and the United Nations Children's Fund, has been very effective in the population sector and has resulted in a focussing of British, Danish, United Nations Family Planning Agency, and World Bank activities. The World Bank will be designing an additional health-sector credit of up to \$100 million, which will upgrade and expand integrated health services in certain parts of Uganda.

**Constraints.** The AIDS epidemic has taken a heavy toll on the frail health-care delivery system. Government funds are generally not available in a timely fashion to pay salaries of health workers, and this results in the health-providers seeking other means to support their families. Cost-recovery schemes are intended to improve the motivation and job performance of health workers, but successful implementation will not be a simple matter. Increasing levels of participation in contraceptive social-marketing programs suggest that such cost-sharing projects can be effective in the area of family planning.

#### **BUILDING DEMOCRACY (\$1,043,116 of which \$843,116 DFA and \$200,000 DAF).**

USAID has been active in supporting Uganda's efforts to create a constitutional democracy. In addition to providing financial and technical support for the electoral process, USAID is involved in the process of codifying Uganda's legal code. Codification of the legal system has not been done since 1966. USAID also supports a series of small activities with various Ugandan NGOs in the area of civic

education and para-legal training, activities designed to develop civil society. Training is planned for political parties to make them both more competitive and responsible.

**HUMANITARIAN ASSISTANCE (\$3,731,000).**

The P.L. 480 Title II vegetable oil program will continue to provide key food commodities that are in short supply in Uganda. The program will also continue to generate local currency to support rehabilitation of the domestic edible oil industry and to assist small farmers, agricultural cooperatives and women's groups increase their involvement in agribusiness.

**Other Donor Resource Flows.**

In FY 1993, the United States provided about 12% of all donor assistance to Uganda. Other major contributors are: the World Bank, the International Monetary Fund, the European Union, United Nations agencies, the United Kingdom, and Denmark.

**UGANDA**  
**FY 1996 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Humanitarian Assistance	Total
USAID Strategic Objectives			•			
1. Increase rural incomes.						
Dev. Fund for Africa	10,247,000	--	--	--	--	10,247,000
Dev. Asst. Fund	235,000	--	--	--	--	235,000
2. Stabilize biodiversity in target areas.						
Dev. Fund for Africa	--	--	6,271,600	--	--	6,271,600
Dev. Asst. Fund	--	--	200,000	--	--	200,000
3. Improve basic education.						
Dev. Fund for Africa	14,300,000	--	--	--	--	14,300,000
Dev. Asst. Fund	450,000	--	--	--	--	450,000
4. Stabilize health of Ugandans.						
Dev. Fund for Africa	3,118,082	3,751,500	--	--	--	6,869,582
Dev. Asst. Fund	3,350,000	2,700,000	--	--	--	6,050,000
Cross-cutting issues:						
Dem/Governance						
Dev. Fund for Africa	--	--	--	843,118	--	843,118
Dev. Asst. Fund	--	--	--	200,000	--	200,000
P.L. 480, Title II	--	--	--	--	3,731,000	3,731,000
<b>Total</b>	<b>31,700,082</b>	<b>6,451,500</b>	<b>6,471,600</b>	<b>1,043,118</b>	<b>3,731,000</b>	<b>49,397,278</b>

USAID Mission Director: Donald Clark

## ZAMBIA

FY 1996 Development Fund for Africa Request: . . . . . \$37,524,852  
 FY 1996 Development Assistance Request: . . . . . \$900,000

Despite a promising start at Independence in 1964 Zambia has become one of Africa's poorest and most indebted countries, with a per capita income of about \$430 and outstanding per capita debt of about \$700. The poor and deteriorating economic and social environment resulted from ill-conceived policies introduced shortly after independence and continued until the election of a new government in October 1991. The Zambian people now face major challenges in reclaiming past economic and social achievements. Macroeconomic stability has been achieved in the past two years through significant monetary and fiscal discipline. The Government of the Republic of Zambia (GRZ) must now fulfill its commitment to restructure itself, privatize the economy, and institute critical social programs. It is in the U. S. interest that the GRZ succeed in its efforts to stabilize its economy, consolidate democratic processes, and open investment opportunity for Zambian and foreign investors. Renewed growth will lead to individual well-being and general prosperity in this agriculturally rich, highly urbanized country. Zambia is a major world supplier of copper. The recent sale of two copper mines and the expected divestiture of the remaining state-owned mines will increase opportunities for investment and capital equipment sales. A strong and successful Zambia can contribute to a strong, successful and fully democratic southern Africa region. Recently, Zambia has been active in fostering peace in the area. Zambia hosted and brokered the recently concluded Angolan peace talks and is contributing troops to the social and political stabilization of Rwanda, Mozambique and Somalia. Zambia will be unable to continue playing this role if its economy fails.

#### The Development Challenge.

The USAID Zambia Program supports the new government's efforts to re-establish democracy and to reopen markets. To be sustainable, the newly announced policies must result in expanded political and economic opportunities for Zambia's 9.4 million people. Unemployment is serious, per capita income is half its 1960s level, and social indicators show sharp declines. The high population growth rate makes it difficult for per capita income to increase. HIV/AIDS is sweeping the country at epidemic levels. Economic infrastructure has been allowed to deteriorate severely. Before the initiation of current efforts to privatize the economy, 80% of economic activity was controlled by parastatals.

#### Strategic Objectives (SOs).

USAID strategy for Zambia during FYs 1993 through 1997 is focused on creating a climate within which a free-market economy can develop and prosper and on improving access to health services. In the first area, USAID is providing assistance for privatizing parastatal companies; establishing and enforcing appropriate policies, laws and regulations conducive to private-sector operations; and strengthening governmental, nongovernmental, and multi-party institutions for political and economic participation and improved governance. Improved health services are provided through a Ministry of Health-led strategy of decentralized health care delivery for child survival, family planning and HIV/AIDS/STD education and prevention.

To contribute to an environment that fosters rapid and equitable economic growth and to speed access to opportunities for Zambians, USAID proposes \$21.7 million in bilateral funding for FY 1996 and approximately \$5 million in centrally and regionally-funded technical assistance. At present no program assistance is thought appropriate, and no P.L. 480 assistance is envisioned although the risk of drought regularly threatens the region. The United States has forgiven all bilateral debt that can be forgiven under existing legislation, but further debt relief is needed.

#### ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$27,345,332).

SO 1. The state removed from the provision of private goods and services (\$14,100,000 of which \$13,925,000 is for Economic Growth and \$175,000 is for Protecting the Environment).

In line with the GRZ's desire to decrease the size of government, USAID's first Strategic Objective focuses on parastatal privatization, specifically the sale of 170 public companies, including the copper mines, utilities, and other strategic firms.

**Activities.** USAID is funding technical services to support the preparation and sale of public companies. The purpose is to help dismantle the state economy, open market opportunities for local and international business, and free resources and talent for government provision of typical public services. A grant to International Executive Service Corps (IESC) provides retired U.S. executives to help strengthen performance of newly-privatized and other small-to-medium sized enterprises. IESC executives typically provide advice on business planning and financing, product marketing, and available technological improvements to make client businesses more competitive in this newly-opened marketplace. With USAID regional financing, funds have been committed to help privatize the Zambian telecommunications industry and facilitate entry by new firms. An industry licensing and monitoring authority will be established and technical assistance will help develop sufficient local capacity for informed decision-making on modernizing local telecommunications with new services such as callback, cellular, private payphones, other long-distance options, and radio-telephones. Under the regional initiative for Southern Africa (ISA), \$20.8 million is requested for FY 1996 to help privatize the Zambian telecommunications and railroad industries. USAID technical assistance will lay the groundwork for a well-defined, appropriately sequenced, national restructuring of the telecommunications industry with the objective of increasing and broadening access of users to more cost-effective systems. A corollary objective is to link private U.S. telecommunications services and equipment suppliers into the regional network as a source of new investment for improved efficiencies. USAID's interest in the proposed restructuring of Zambia Railways, a publicly-held company, is to promote private participation in all possible aspects of railway operations and ancillary services and, more generally, to ensure that Zambia Railways becomes commercially oriented and financially sustainable. Non-project assistance is an option which may be employed under appropriate circumstances to accomplish ISA objectives in Zambia.

**Related Activities.** It is essential for the GRZ to eliminate the parastatal holding company as promised since it is the locus of opposition to GRZ privatization plans. Also important is development of a plan for divestiture of the copper-mining parastatal, the largest single parastatal. To facilitate divestiture, USAID is facilitating environmental reviews of parastatals prior to sale. This is alleviating buyer concerns regarding potential liabilities and has encouraged private investment in site clean-ups and improved, cleaner production processes. The GRZ recently requested USAID assistance in liquidating assets under Ministry of Agriculture control.

**Indicators.** There are two indicators, private sector share of GDP, and number of parastatals sold. Projecting conservatively, USAID expects the private sector share of GDP to rise from 20% in 1992 to at least 40% by 1997. Thirty-three parastatal companies should be privatized in 1995. Both the efficiency and the growth rate of the economy should improve greatly.

**Feasibility and Cost-effectiveness.** Privatization is essential for growth of the Zambian economy. The expected sale of over \$600 million in state-owned assets in 1995 should result in new investment and increased production as the private-sector reacts to perceived, new, market opportunities from decreased government intervention and as former parastatals become more efficient. The economy will also benefit from the reduction in government expenditures. The GRZ is committed to the process of privatization but requires donor assistance and has requested USAID leadership and support in hastening the privatization process.

Progress in 1993-1994. The Zambian Privatization Agency, an independent, time-limited body created to divest parastatals, has been established and 16 companies or major units worth over \$60 million (including the national airline, cement plants and a brewery) have been sold or closed.

Donor Coordination. USAID is the leading bilateral donor supporting privatization. The World Bank is conditioning balance of payments support on progress achievements. The Norwegians, Germans and British are the other major bilateral donors. The GRZ remains committed to privatization but donor support speeds the process through the provision of technical services which are otherwise not available.

Constraints. Closure of the national parastatal holding company and divestiture of the copper mine are sticking points. Zambia is a very poor country. A weak economy limits availability of domestic investment capital and makes it more difficult to find buyers for parastatals. Finally, there is some resistance to divestiture given the expected retrenchments.

SO 2. Appropriate policies, laws and regulations promulgated and enforced to increase agricultural production and marketing (\$8,405,332 of which \$8,020,332 is for Economic Growth and \$385,000 is for Protecting the Environment).

Before agricultural production can increase, the GRZ must change the incentive structure. USAID is supporting a GRZ initiative to liberalize policies, laws, and regulations governing agricultural inputs and outputs as well as land ownership and use. Given Zambia's comparative advantage in the region for agricultural production, liberalization measures should increase investment in agriculture and improve living standards in rural areas. First, however, the GRZ must privatize state-owned firms, eliminate subsidies, and liberalize markets. With respect to land, new legislation is required to permit the sale or transfer of leasehold titles, protect smallholders' rights, and expand the right of women to acquire land, e.g., through inheritance.

Activities. USAID's sectoral program supports a GRZ agricultural strategy that identifies the steps needed to increase private investment in agriculture and undertakes activities needed to improve smallholder access to markets. USAID is focusing on participatory dialogue to build consensus on policies and implementation practices; capacity building in the Policy and Planning Department of the Ministry of Agriculture; and establishment of a Policy and Planning Unit in the Ministry of Land. The Mission also sponsors pilot activities to investigate the relationship between various policy, legal and regulatory changes and the resulting impact on the investment climate and small-farmer production. Farmer group business development, agricultural credit and food security analyses are under way. USAID dialogue stresses that the success of the GRZ agricultural-sector liberalization process is dependent upon the full involvement of private sector interests, including the NGO community.

Related Activities. Through the regional Natural Resource Management Program, judicious, locally-based natural resource management systems encourage conservation, local participation, and increased sustainable yield from the wildlife estate.

Indicators. Agricultural input and output price variations by region and over time illustrate the impact of market liberalization on investment. The analysis of regional and temporal price movements and the relationship between price movements and such factors as transport and storage costs will indicate market efficiency. Rural input and output prices will in turn enable USAID to assess the impact of liberalization on farm profitability. Once investors gain confidence and markets are working, some 300,000 smallholders will plant and market crops in line with market signals and their comparative advantages.

Feasibility and Cost-effectiveness. USAID is working with the private sector, NGOs and the GRZ to explore more cost-effective, sustainable approaches to reach smallholders, who are typically disadvantaged in accessing crop inputs and commodity markets. The socialistic approaches of the

former one-party state failed and resulted in over-dependence on maize. Crop diversification in response to market signals is already evident.

Progress in 1993-1994. The GRZ's maize marketing policy for the 1994/95 marketing season removes virtually all interference with the market: Agricultural prices are now market determined; there are no restrictions on international trade and commodities are moving freely across borders; and, commodity traders are no longer administratively selected by the Government. The Government is providing liquidity to commercial banks for lending to traders based on the bank's assessment of the loan request. The Ministry of Agriculture facilitates trading by routinely announcing market price and condition information through newspapers and radio.

Donor Coordination. USAID is coordinating its efforts with the World Bank led sectoral approach. To date, however, USAID and several of the other bilateral and multilateral donors are not comfortable with Bank and GRZ inclinations to limit private sector involvement in sectoral planning and policy development efforts. Further discussions aimed at enhancing private and NGO contributions are envisioned.

Constraints. Most smallholders live in traditional land areas that lack basic public services such as roads, schools, and communications. This effectively limits smallholder access to inputs and commodity markets.

#### SO 4: Improved HIV/AIDS/STD control practices by high risk individuals (\$2,900,000).

At an estimated 24% overall, Zambia's human immunodeficiency virus (HIV) rate ranks among the highest in the world, adding to the difficulties of a health-care system already deficient. The loss of trained manpower is proving a major constraint to overall economic development prospects. The requested FY 1996 funding provides for USAID-sponsored activities being implemented by the Morehouse School of Medicine (an HBCU) under a Cooperative Agreement with USAID.

Activities. USAID is a major donor for the GRZ's progressive and comprehensive program for the prevention, monitoring, and care of HIV/AIDS-related diseases. USAID is supporting public health education for high risk target groups, increasing the availability of condoms on the commercial market, and improving counseling/testing services. In addition, USAID is improving the availability of medications to reduce sexually transmitted diseases (STDs) which greatly facilitate the heterosexual transmission of the HIV virus.

Indicators. Increased condom sales will be the primary measure of the effectiveness of current activities.

Feasibility and cost-effectiveness. Given the current lack of a cure for AIDS, the best way to mitigate the burgeoning AIDS epidemic in Zambia is to effect behavioral modification through promotion/maintenance of safe sexual practices. If the HIV/AIDS pandemic can be reduced to a point where the relationship between long-term behavioral change and improved health is apparent, the changes in attitudes and behavior should continue with minimal external resources.

Progress in 1993/94. USAID project performance in subsidized condom sales and distribution exceeded projections by more than one half, up to 7 million annually.

Donor Coordination. USAID-sponsored activities are implemented under the monitoring and supervision of the GRZ's National AIDS Prevention and Control Program. USAID is the major active donor assisting in this subject area.

Constraints. The GRZ health sector is under-funded and in many instances short of the experienced technical skills required to implement the necessary programs. Elements of the USAID program are

not yet national in scope. Current sexual practices facilitate HIV transmission and cultural changes are often slow in coming.

**Cross-cutting Issue: Improved Child Survival (\$2,500,000).**

USAID is currently designing an integrated child-survival program for FY 1995 authorization and initial funding. The purpose is to improve decentralized access to key child survival services, including those delivered at home. FY 1996 funding will provide second year financing for this incrementally funded program.

Activities. USAID-supported activities will concentrate on strengthening capacity at the district level to carry out specific child survival activities - such as the treatment of diarrhea and acute respiratory infections and prevention and treatment of malaria - through training and the development of health management systems. USAID will further improve health care in the home and community through information, education and communication activities. Support to national policy development will be limited to government health care decentralization strategy and implementation.

Indicators. The primary indicator is a 20% reduction in under-five child mortality from the current level of 191/1,000 per year over a seven year period.

Feasibility and Cost-effectiveness. USAID is promoting an integrated package of focused child survival interventions (immunization, control of diarrheal disease, respiratory infections, malaria, and undernutrition) in combination with support of essential support systems (e.g. logistics, training, supervision) to achieve low-cost, effective, and sustainable improvements in child health. The optimal package of support for Zambia is being developed, in cooperation with the Ministry of Health, other donor partners, and non-governmental organizations, in the context of the dynamic health reform process that is underway.

Progress in 1993-1994. In the face of Zambia's daunting economic problems and the threat posed to the existing health care system, the GRZ has adopted a program of extensive reform designed to provide more effective health care in an equitable manner using a decentralized management and delivery structure. This vision, as promulgated by effective leadership, has convinced donors over the past two years that returns on investment in the sector are promising.

Donor Coordination. USAID assistance for the Ministry of Health is being designed in close collaboration with the broad based programs of UNICEF, WHD, Danish aid (DANIDA), and Swedish SIDA.

Constraints. A shortage of qualified and adequately compensated health care workers, and Zambia's fiscal constraints, are two major factors limiting health care reform.

**STABILIZING POPULATION GROWTH (\$6,426,964 of which \$5,526,964 DFA and \$900,000 DAF).**

**SO 3. Increased use of modern contraceptives (\$6,426,964).**

Zambia's population level has risen from 4.1 million in 1969 to 9.4 million in 1994. Zambia can sustain neither rapid population growth nor the debilitating effect on maternal and child health resulting from it. To address this, the use of modern contraceptives will have to increase.

Activities. USAID is subsidizing the sale of oral contraceptives through retail outlets and improving contraceptive service delivery at select clinics. Additional activities are increasing public awareness of the benefits of contraception and correct usage by sponsoring a mass media campaign describing the benefits of smaller families, the physiological affects of modern contraceptives, and gender

responsibilities for reproductive behavior. USAID is also advising on national policy and legislative developments.

**Indicators.** USAID is seeking to help the GRZ reduce total fertility from 6.5 in 1992 to 6.0 in 2000, and to increase contraceptive prevalence (use) from 8.9 in 1994 to 20 in 1998.

**Progress in 1993-1994.** The GRZ has met conditions essential to the success of USAID's planned efforts, and USAID-sponsored activities are just getting started. Importantly, the GRZ has recognized the negative impact of rapid population growth on socio-economic development and the consequent need to systematically integrate population issues into the nation's development planning and implementation process.

**Donor Coordination.** USAID, the British Overseas Development Agency (ODA), and the United Nations Fund for Population Activities (UNFPA) meet regularly on population matters. The World Bank has been instrumental in ensuring that donors coordinate efforts in the health and population sector.

**Constraints.** The delivery of quality family planning services is limited by the lack of trained health personnel, the limited hours of operation for public-health clinics, the theoretical and actual limits of the contraceptive method mix, and the operational problems of the contraceptive logistical management system.

**BUILDING DEMOCRACY (\$4,092,556).**

**Cross-cutting Issue: Democratic Governance (\$4,092,556).**

The institutions and habits of one-party rule are deeply embedded in the Zambian political culture. In the wake of a rapid political transition, Zambia lacks a full range of civic and governmental institutions to consolidate and sustain democracy. USAID plans to commit \$15,000,000 over a five year period to foster greater accountability between the GRZ and its citizens.

**Activities.** USAID is supporting activities to make public decision-making more accessible and effective by increasing citizen awareness of rights and responsibilities, enabling independent journalism, enhancing legislative performance, and improving public policy implementation. The National Democratic Institute is working, under USAID grant, to strengthen political parties in anticipation of national elections scheduled for October 1996.

**Indicators.** USAID is monitoring the following: constraints on an independent media; executive and legislative capacity to assess policy options and respond to citizen needs; voter registration, and the extent to which the political process is informed and free.

**Progress in 1993-1994.** While significant measures have been taken to improve governance, a common perception of the Zambian electorate is that abuse of public office is widespread. Noteworthy developments in 1993-1994 are as follows: the legislature passed an ethics code for elected officials that offers promise of greater discipline and transparency; constitutional review is well underway; legislation has been changed to permit private electronic media, and the first privately owned radio station is broadcasting; civic education NGOs are proliferating and flourishing with donor assistance; the Cabinet is functioning more efficiently; political parties and appointed officials have welcomed and utilized USAID programs to strengthen their competence in representing their constituencies and articulating policy positions.

**Donor Coordination.** Recognizing that democracy and governance are essential components of sustainable and equitable economic development, donors have moved swiftly to establish programs of assistance. Among the most active are the UNDP and World Bank in the area of public service and judiciary reform; the British ODA with special interests in governmental decentralization and fiscal

responsibility; Ireland in the training of senior civil servants; and the Nordic countries in civic education, election monitoring, electoral reform, and constitutional reform. Donors are organized informally for activity coordination purposes, and the World Bank Consultative Group meetings provide the fora for addressing higher level concerns to the GRZ .

Constraints. Because of personnel changes in several ministries, USAID lost the support of some key GRZ officials. This has delayed implementation of activities. Also, several leaders are pre-occupied with the 1996 elections and their political survival rather than promoting good governance and democratic goals.

**Other Donor Resource Flows.**

In terms of net disbursements, IDA, EDF, Germany, Japan, and Italy were the largest donors over the 1991 to 1993 period. In FY 1993, the United States disbursed \$59 million in grant assistance and provided \$58 million in debt relief. At the December 1994 Consultative Group meeting the major donors and the IFIs pledged \$2.1 billion in support of Zambia's development. This magnitude is composed of a bridge loan to eliminate I.M.F. debt payment arrearages (\$1.2 billion); debt relief of \$154 million; balance of payments assistance of \$440 million; and, project and commodity assistance of \$347 million. The United States is contributing 2.6% of the total pledged. In order of magnitude of pledging, Japan, Norway, Germany and Sweden are the leading bilateral donors.

**ZAMBIA  
FY 1996 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Total
<b>USAID Strategic Objectives</b>					
1. The State Removed from the Provision of Private Goods and Services.	13,925,000	--	175,000	--	14,100,000
2. Appropriate Policies, Laws and Regulations Promulgated and Enforced to Increase Agricultural Production and Marketing.	8,020,332	--	385,000	--	8,405,332
3. Increased Use of Modern Contraceptives.					
Dev. Fund for Africa	--	5,526,964	--	--	5,526,964
Dev. Assistance Fund	--	900,000	--	--	900,000
4. Improved HIV/AIDS/STD Control Practices by High Risk Individuals.	2,900,000	--	--	--	2,900,000
Cross-cutting Issues:					
Improved Child Survival	2,500,000	--	--	--	2,500,000
Democratic Governance	--	--	--	4,092,558	4,092,558
<b>Total</b>	<b>27,345,332</b>	<b>6,426,964</b>	<b>560,000</b>	<b>4,092,558</b>	<b>38,424,852</b>

USAID Mission Director: Joseph F. Stepanek

## ZIMBABWE

FY 1996 Development Fund for Africa Request: . . . . . \$22,587,512  
 FY 1996 Development Assistance Fund Request: . . . . . \$800,000

The United States continues to assist Zimbabwe for two important reasons: Zimbabwe is an excellent future market for U.S. goods and services and plays a strong leadership role in conflict resolution and regional stability in the Southern Africa region. With a four billion dollar Gross Domestic Product, Zimbabwe possesses one of the largest economies in the region, after the Republic of South Africa, and continues to grow. Recent moves to liberalize foreign exchange controls, reform repatriation of profits and capital, and sell off unprofitable parastatals have opened the door for increased U.S. investment. With this growing market economy comes the expansion and demand for higher value U.S. imports. Zimbabwe has also taken a firm stance in resolving conflict in the region, from easing disputes prior to the recent election in Mozambique to committing troops for Somalia. Zimbabwe stands out as one of the leaders in sub-Saharan Africa in the promotion of peace and stability, bringing relief to U.S. efforts in both financial and human terms. Ensuring that Zimbabwe continues to play this stabilizing regional role falls directly within U.S. national interests.

#### The Development Challenge.

The results of U.S. assistance in recent years, together with the Government of Zimbabwe's (GOZ) own efforts and those of other donors, have been nothing short of remarkable. In the ten years following independence, the health and education of the Zimbabwean population improved markedly and the rate of population growth slowed significantly. In fact, recent data show that between 1984 and 1994 the total fertility rate (average number of children per Zimbabwean mother) has dropped from 6.5 to 4.4. In addition, the participation of smallholder farmers in the cash economy has increased dramatically. Production of maize and cotton by nominally subsistence farmers on communal lands increased from 10% at independence to 60% of total production by the end of the 1980s. More recently, USAID-supported pricing and marketing reforms led to a near-total liberalization of the maize market, resulting in lower prices and greater food security. A USAID-led effort during the drought of 1992-1993 (the worst in a century) is credited with averting widespread hunger and possibly even starvation just as a major economic reform program was getting off the ground.

Although Zimbabweans today are healthier and better educated than they were ten years ago, past economic policies, rapid population growth and, more recently, the scourge of HIV/AIDS, combined with exogenous factors such as the 1992/93 drought and depressed commodity prices for most of the 1980s, have retarded Zimbabwe's development in recent years. USAID assistance in Zimbabwe focuses on the poor majority while simultaneously providing strong support to the national, macro-level economic reform program undertaken by the GOZ under joint International Monetary Fund/International Bank for Reconstruction and Development (IMF/IBRD) auspices. Three strategic objectives have been identified, all of which contribute to the overall goal of equitable, participatory economic growth. A strong cross-cutting theme is improved governance and participation at all levels of Zimbabwean society.

#### Strategic Objectives (SOs).

##### ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$11,700,495).

SO 1. Increased household food security in communal areas of Natural Regions IV and V (\$4,675,000 of which \$1,100,000 is for Economic Growth and \$3,575,000 is for Protecting the Environment).

The first strategic objective focuses on the poor of Zimbabwe's communal lands, that 35% of the population (of 10.4 million) who, by virtue of unequal access, subsist on marginal lands in Zimbabwe's

**Natural Regions IV and V.** USAID's historic involvement in addressing agricultural and food security challenges around the world and in Zimbabwe holds promise for these people. Opportunities exist for increasing the productivity of their land, identifying alternative income sources (like village-level wildlife management schemes), and ensuring that rural people in these areas have sufficient purchasing power to procure marketed food.

**Activities.** Major activities include fundamental pricing and marketing reforms in the Zimbabwean maize sector under the Grain Marketing Reform and Grain Marketing Reform Research Projects and research and technology transfer of promising new sorghum and millet varieties under the Regional Sorghum and Millet Research Project. The latter is a multi-country activity based in Bulawayo, Zimbabwe's second city, and carried out under the auspices of the 11-nation Southern African Development Community (SADC). Wildlife management activities carried out through the Natural Resources Management Project, which also fall under this SO, are discussed in the section below on Protecting the Environment.

**Related Activities.** The Zimbabwe Manpower Development II Project (ZIMMAN II) has been a regular supplier of management and technical training for the ever-increasing number of medium-sized maize millers resulting from project-supported reforms (see section below on progress in 1993-1994). The Consumer Council of Zimbabwe has also used funds from the ZIMMAN Project to help disseminate information to the general public on the content and significance of reforms in the grain marketing sector.

**Indicators.** Progress under this SO is being measured through increases in average household foodgrain availability, the amount of domestic food production retained for household consumption, and estimated actual foodgrain/meal purchases, all in terms of kilograms per household per year.

**Feasibility and Cost-effectiveness.** The key problems needed to address food security revolve around production, income, and access to food. USAID programs address each of these constraints. Research results leading to improved production techniques and varieties will be better disseminated, while off-farm income opportunities are increased through community based programs in resource management. Access to food and markets is being achieved through liberalization of marketing and deregulation to allow free movement of goods. USAID's investment under this SO will improve the lives of the 716,000 households comprising 3.9 million people in the target areas.

**Progress in 1993-1994.** In 1993, significant liberalization of the grain market removed subsidies to commercial millers and lifted all restrictions on the transport, purchase, and sale of maize. Consumers now have a broader choice of outlets and types of grain at lower prices and can make choices based on their economic situation and market availability, and sellers can operate without restriction. These changes have resulted in a dramatic increase in the number of rural enterprises as new opportunities have arisen in marketing, milling and transporting of grain. Where only very recently all grain marketing activities were controlled by a central Grain Marketing Board, there are now approximately 20 milling companies scattered throughout the country. Simultaneously, the number of small scale "service" millers has increased to over 15,000, predominantly in the rural areas. Removal of the maize subsidy is already saving the GOZ nearly \$5 million per month in budgetary outlays. In sorghum and millet research, the transition was recently made from applied research to full-fledged technology transfer. The SADC Secretariat also recently approved a sustainability plan committing SADC countries to finance, from their own funds, a long-term investment program beginning as early as 1996.

**Donor Coordination.** USAID coordinates closely with other donors under the grain marketing reform program, particularly with the World Bank. Areas of coordination include joint identification of needed policy reforms and assessments of reform impacts. For the sorghum and millet research activity, coordination is assured through a semi-annual steering committee meeting in which all donors participate with heads of the program from each of the 11 SADC countries, in addition to the annual SADC Coordinating Committee for Agricultural Research.

**Constraints.** Effective dissemination of information on the policy changes and further efforts to increase liberalization will be needed to ensure that changes made to date are sustainable. In addition, coordination among governmental and non-governmental groups and agencies is essential for maintaining achievements. USAID is presently considering refocusing its efforts under this SO to place greater proportional emphasis on decentralization, increased local incomes and participation, and preservation of the natural resource base in Natural Regions IV and V (see also, section on Protecting the Environment, below). In sorghum and millet research, the principal constraint revolves around demonstrating that the potential for increased yields of these two subsistence crops far outweighs the added cost of the new genetic materials and technologies developed under the project. Accordingly, demonstration plots and on-farm trials will play a major role under the technology transfer phase.

#### **SO 2. Increased black ownership and investment at all levels of Zimbabwe's economy (\$6,200,495).**

This strategic objective is borne from the recognition that access to economic assets and empowerment has been disproportionately vested in the white population (one percent of the total) and the central government. By broadening access to economic assets, opportunities for increased competition and improved efficiency are created. Perhaps more significant and politically imperative is the need for the GOZ to foster creation of a decontrolled, market-led enabling environment that is conducive to investment, economic growth, and increased employment and ownership opportunities for all Zimbabweans, both black and white.

**Activities.** Activities presently underway in Zimbabwe under this SO include Zimbabwe Business Development, Zimbabwe Manpower Development II, Private Sector Housing, and the Zimbabwe component of the Regional Transportation Development II Project. A FY 1995 start--Black Equity Development--will focus on increasing employee ownership, increasing access to financial resources by micro and small enterprises (businesses with 1-100 employees), and strengthening the programs of business and trade associations.

**Related Activities.** Continuing policy dialogue with the GOZ in the context of the economic structural adjustment program is an important element of USAID's efforts to increase black ownership and investment in the economy, including reforms that facilitate black Zimbabweans becoming homeowners for the first time. In its reform discussions with the GOZ, USAID is giving particular emphasis to the need for deliberate speed in selling off government assets and giving more of a leadership role to the private sector. Using targeted, tailor-made programs, USAID is also bringing critical issues in privatization and financial reform to the forefront with key sectoral decision makers.

**Indicators.** Principal indicators of success under this SO include the percentage and number of homes and small- and medium-sized enterprises owned by black Zimbabweans, disaggregated by gender to measure the percentage and number owned by black Zimbabwean women.

**Feasibility and Cost-effectiveness.** USAID's investments will not only result in improved access to capital and the provision of shelter solutions to 44,000 families but will also (and, in the long run, more importantly) spur market changes resulting in increased efficiencies for all business operations as communications and transport facilities become more widely available and responsive to customer needs. Increased business ownership and investment will result in increased employment opportunities, foreign exchange earnings, and, ultimately, greater black participation in the economy.

**Progress in 1993-1994.** Through the Private Sector Housing Program, the GOZ has revised housing and infrastructure standards to increase affordability such that a new minimum housing unit is affordable to 70% of the urban population, up from 23% previously. USAID has also leveraged an unprecedented increase in the availability of private sector mortgage financing for low-income families (\$16.5 million for 1994). It is estimated that over 19,000 low-income families will benefit from mortgage loans under the initial disbursement, thereby increasing black ownership and creating a pool of assets that can be used as collateral for business investments. Additional USAID assistance in the

private sector has supported strategic interventions that have leveraged important reforms and a general opening of markets and government re-orientation. Work with the Zimbabwe Investment Center not only provided the analytic rationale for striking investment reforms early in 1994, but also will facilitate improved operations and implementation of the new policies in the future leading to increased investment from both domestic and foreign sources. USAID also assisted in the review and drafting of revised legislation regarding restrictive business practices. The measure, which is now being vetted by Parliament, will provide increased opportunities for new business development and market entry, particularly by indigenous (black) entrepreneurs. Direct firm-level assistance has also resulted in improved profits and employment opportunities, with an emphasis on small and medium size firms with black or women owners. Finally, assistance to the National Railways of Zimbabwe (NRZ) has resulted in improved operating efficiency and the spinning off of a number of non-core services to the private sector.

**Donor Coordination.** USAID is the largest donor in the low-income shelter sector in Zimbabwe, and the World Bank is the only other donor of significance. USAID and the Bank coordinate their activities closely, with the Bank focusing on off-site infrastructure development and USAID concentrating on increased availability of private sector financing for the low-income shelter sector. Donor coordination for private sector development activities on deregulation, small enterprise development and the financial sector is also fairly well developed. The Small Scale Enterprise Advisory Development Group, which has been operational since the early 1990s, serves as a clearinghouse to coordinate donor, GOZ, and private sector programs for small enterprise activities. This is the most active forum for donor coordination and exchange of ideas. In addition, specific issues relating to private sector development, e.g., investment policy and development of trade policies, arise periodically and are instrumental in bringing together various donors with an interest in the particular topic. Donor coordination under NRZ is practically a given, as the effort is part of a multi-donor activity involving the World Bank, African Development Bank, and other bilateral donors.

**Constraints.** Implementation of the low-income shelter program is complicated by the number of organizations involved and the complex, disjointed nature of the Zimbabwean housing delivery system on the other. Under the NRZ activity, a recent project evaluation showed that bloated staff levels were a major constraint to the improved operating efficiency of the organization. Accordingly, a recent project amendment included provisions for one-time assistance to a voluntary early retirement scheme (VERS).

**Cross-Cutting Issue.** Decreased HIV high risk behavior by selected occupational groups (\$4,400,000).

The Government estimates that there are 800,000 HIV positive Zimbabweans out of a total population of 10.4 million, for a national infection rate of approximately eight percent. Some prenatal surveys, however, indicate that as many as 25% of pregnant women are HIV positive, and most doctors and insurers believe that this figure is a more accurate indicator of the effective rate among the sexually active population. Hardest hit are those in the age groups of 15-49 years, who account for 75% of all cases in the country. Thousands of children are left orphaned by AIDS annually; it is estimated that there will be 500,000 orphans by the year 2000. Given the potentially staggering economic and social impact of this phenomenon, USAID has chosen decreased HIV/AIDS high risk behavior as a "target of opportunity" for specific intervention under its overall assistance program.

**Activities.** Under the Zimbabwe AIDS Prevention and Control activity (ZAPAC), USAID is assisting GOZ efforts to change high risk behavior by selected occupational groups, i.e., transportation workers and members of the uniformed services. USAID is providing support to the GOZ, the National AIDS Coordination Program (NACP), appropriate local businesses, and non-governmental organizations to strengthen HIV-prevention activities aimed at high risk populations. The project is being implemented over a five-year period (FY 1993-98) at a total cost of \$14.4 million.

**Related Activities.** The ZIMMAN II Project has supported activities in this area through the provision of practical management training for local non-governmental organizations managing or coordinating HIV/AIDS projects.

**Indicators.** Progress is measured through survey data on condom use in most recent sexual intercourse and the number of sexual partners in the previous month (percent/number of respondents).

**Feasibility and Cost-effectiveness.** Without USAID and other donor investment in the prevention and control of the HIV/AIDS epidemic, the economy of Zimbabwe will suffer considerable damage. Projections indicate that reductions in GDP (as high as six to seven percent) will occur due to reductions in the size of the labor force as a result of the epidemic. The emphasis on AIDS prevention in the workplace is expected to have high economic payoffs since it will avert deaths in the labor force and reduce re-training costs. Furthermore, savings in medical costs and social services (for AIDS orphans and other dependents of AIDS victims) are expected as a result of successful prevention among high-risk working age populations.

**Progress in 1993-1994.** The project began implementation in mid-1994. By December, a \$1.0 million grant had been issued to the United Nations Children's Fund (UNICEF) for information, education and communication (IEC) activities in tertiary educational institutions (universities, technicians, vocational training institutes, professional colleges, etc) and funds provided to Family Health International/AIDS Control and Prevention Project (FHI/AIDSCAP), the major contract group under this project that recently established offices in Harare.

**Donor Coordination.** Many donors (Sweden, UNICEF, the European Union, Denmark, the World Health Organization, Great Britain, the Netherlands, etc.) are involved in HIV/AIDS related activities in Zimbabwe. These activities are coordinated through the National AIDS Coordination Program.

**Constraints.** There is a general lack of appreciation by employers of the benefits relative to the costs of conducting AIDS awareness and prevention activities in the workplace. Since employers bear a significant portion of the costs of these activities, it is essential that these benefits (e.g., increased productivity and reduced downtime due to absences and employee deaths) be demonstrated conclusively. In addition, a great deal more work must be done to actually identify appropriate incentives to modify actual behavior among participants.

**STABILIZING POPULATION GROWTH (\$7,885,494 of which \$7,085,494 DFA and \$800,000 DAF).**

**SO 3. Sustainable decrease in fertility (\$7,885,494).**

Despite significant progress in the difficult demographic transition, population growth in Zimbabwe is a persistent problem that continues to undermine economic growth and personal family goals, erodes the natural resource base, and limits the potential household and individual benefits of economic growth. With USAID as the lead donor in the family planning domain since 1984, modern contraceptive prevalence rates are increasing dramatically and fertility is decreasing at a very encouraging pace; but the annual population growth continues to be high at about 3.1%. Accordingly, the Mission has identified a sustainable decrease in fertility as its third strategic objective.

**Activities.** Designed in 1990, the Zimbabwe Family Planning (ZFP) Project aims at diversifying the contraceptive method mix. The project supports the GOZ's efforts to increase availability of and access to a greater range of modern family planning methods, particularly longer-term and permanent methods, as well as research and training to improve contraceptive use and prevent contraceptive failure. The project is moving the Zimbabwean family planning program in the direction of financial sustainability by shifting a portion of the cost burden from the GOZ to the private sector and making the public sector program more cost efficient. The project is also strengthening non-financial aspects of the public sector family planning program to make it more effective, cost-efficient, and sustainable.

**Related Activities.** USAID regularly uses a portion of its annual operating year budget to purchase contraceptives for distribution in Zimbabwe from the centrally-managed Central Contraceptive Procurement Project.

**Indicators.** Progress is measured by monitoring changes in the country's total fertility rate and the contraceptive prevalence rate, currently about 4.4 and 48%, respectively.

**Feasibility and Cost-effectiveness.** USAID funds support increased use of long-term contraceptive methods, increased sustainability of public sector provision of family planning services, and an increased role for the private sector in the delivery of family planning services. Indications to date are that these are the key areas required to achieve even greater decreases in total fertility. With an ever increasing health burden, further complicated by the advent of HIV/AIDS and reduced public sector budget resources, achievement of ambitious targets for this strategic objective in a timely manner becomes essential.

**Progress in 1993-1994.** Family planning efforts continue to achieve significant results--building upon increased contraceptive prevalence rates and a decreased fertility rate--successes that USAID helped the GOZ obtain. The introduction of Depo-provera has been particularly successful, with 50,000 acceptors by the second year of its introduction. The family planning program has also made a number of accomplishments in the area of increased sustainability, especially with regard to sustainable public sector financing as the GOZ has begun to procure its own oral contraceptives thereby reducing reliance on donors. In FY 1993 it purchased 21% of its needs at a cost of \$365,000 and in FY 1994 set aside approximately \$600,000 to purchase 25% of its needs. The program has also made significant strides in cost recovery, recuperating up to 56% of contraceptive costs through user fees in 1993. These are encouraging trends.

**Donor Coordination.** The World Bank's Family Health Planning II and United Nations Fund for Population Activities (UNFPA), developed concurrently with the ZFP Project, support USAID's strategy in this sector.

**Constraints.** Despite impressive gains, the family planning program faces daunting challenges. One is that the population growth rate and the total fertility rate (TFR), though declining, remain high. The 1992 census found that between 1982 and 1992 the population had grown from 7.6 million to 10.4 million, for an inter-censal growth rate of 3.13% per year. The second major challenge is in the area of health finance. In the first decade of independence the health budget grew steadily. In the last four years, however, real per capita expenditure by the Ministry of Health and Child Welfare (MOHCW) has fallen by 34%. The Reproductive Health Finance Project--currently in the design stage--will address health financing issues beginning in FY 1996, with particular emphasis on ensuring continued, sustainable financing for family planning and HIV/AIDS prevention services.

#### **PROTECTING THE ENVIRONMENT (\$3,575,000).**

Along with grain marketing reform and agricultural research on millet and sorghum (discussed above under SO 1), the other major aspect of USAID's work under SO 1 is a dual-purpose effort to increase rural incomes and protect Zimbabwe's natural resource base. USAID is proud of its effort in this domain which now serves as a model for other country programs. The program is carried out under the initiative known as CAMPFIRE (Communal Areas Management Program for Indigenous Resources), which is world-renowned for its decentralized, village-based approach to wildlife preservation. In conjunction with the National Parks Department, CAMPFIRE determines the wildlife carrying capacity of villagers' land and then helps them auction off hunting licenses, the proceeds of which for the most part flow directly back to the villagers themselves. The result is better wildlife management and increased incomes at the local level. The program has been so successful in establishing and strengthening local institutions and enhancing their capacity to manage and exploit resources on behalf

of resident communities that USAID funded the expansion of the program to nationwide coverage in FY 1994.

Activities. Activities under this portion of SO 1 are carried out through the \$28.1 million Natural Resources Management Program (NRMP), which began in 1989 under regional funding auspices and is now being funded as a purely bilateral activity.

Related Activities. CAMPFIRE is set within a larger context of the theory and practice of common property management, community development, and environmental conservation. As such, the spectrum of activities that can conceivably be carried out under the program's flexible design is really quite wide. Examples might include policy reforms aimed at strengthening local control over non-renewable resources and support for the development of eco-tourism.

Indicators. Progress in this sector is being measured through average household cash income from participation (and the number of households actually participating in) community-based natural resource management activities.

Feasibility and Cost-effectiveness. The protection, conservation, and sound management of renewable natural resources through indigenous government and non-government organizations yields both monetary and non-monetary benefits. Well-developed management institutions function at the community level to ensure sustainable local development, while the preservation of biological diversity ensures the continued richness of our planet's natural legacy.

Progress in 1993-1994. In 1993-94 six new districts were incorporated within the CAMPFIRE program, bringing the total number of participating district councils to 24. CAMPFIRE currently covers 18% of Zimbabwe's communal lands and touches the lives of nearly a million people every day. In 1993 the program generated cash revenues in excess of about US\$ 1.25 million, the bulk of which was plowed back into community-based conservation and development activities. As noted, this program was expanded to nationwide coverage in 1994 and now serves as a regional model of sustainable development encompassing environmental aspects, income generation and empowerment of local populations to make decisions on community resources for their own benefit.

Donor Coordination. While USAID is the single largest external donor supporting CAMPFIRE, many others are also involved, including Great Britain, Germany and the Ford Foundation. These donors meet on a monthly basis to coordinate their programs and discuss progress toward mutually agreed-upon objectives.

Constraints. CAMPFIRE implementation is constrained by two factors: (1) continuing debate among competing entities over the level and extent of "appropriate authority" that has been delegated to the district councils; and (2) budgetary constraints that result in an inability on the part of the Ministry of Environment to fully finance and support the operations of the Department of National Parks and Wildlife Management.

#### **BUILDING DEMOCRACY (\$226,523).**

Limited funding is provided through a U.S. Embassy-managed program which concentrates on the need to prepare voters for the 1995 general elections and problem areas that were highlighted in the 1993 Human Rights Report.

Other Donor Resource Flows. According to the United Nations Development Program, the United States presently provides nearly 12% of external donor assistance to Zimbabwe. Other major donors and international financial institutions include the World Bank, the International Monetary Fund, the African Development Bank, the European Union, the United Kingdom, Germany, Japan, Sweden, Denmark and Canada.

**ZIMBABWE  
FY 1996 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Total
USAID Strategic Objectives					
1. Increased household food security in communal areas of Natural Regions IV and V.	1,100,000	--	3,575,000	--	4,675,000
2. Increased black ownership and investment at all levels of Zimbabwe's economy.	6,200,495	--	--	--	6,200,495
3. Sustainable decrease in fertility.					
Dev. Fund for Africa	--	7,085,494	--	--	7,085,494
Dev. Assistance Fund	--	800,000	--	--	800,000
Cross-cutting issues:					
Democratic Participation	--	--	--	226,523	226,523
Decrease of HIV high risk behavior.	4,400,000	--	--	--	4,400,000
<b>Total</b>	<b>11,700,495</b>	<b>7,885,494</b>	<b>3,575,000</b>	<b>226,523</b>	<b>23,387,512</b>

USAID Mission Director: Peter Benedict

## AFRICA REGIONAL PROGRAMS

FY 1996 Development Fund for Africa Request: . . . . .	\$48,845,542
FY 1996 Development Assistance Fund Request: . . . . .	\$100,000
FY 1996 Economic Support Fund Request: . . . . .	\$14,350,000
FY 1996 P.L. 480 Title II: . . . . .	\$13,370,000

## INTRODUCTION.

This section presents information on both Africa-wide regional programs (sub-section A) as well as Sahel-based regional programs (sub-section B). In addition, included in this section are: the African Economic Policy Reform Program (AEPRP -- sub-section D); the Economic Support Fund financing for the Africa Regional Democracy Fund (sub-section E); P.L. 480 Title II food assistance provided to Burkina Faso and Cape Verde (sub-section F); and assistance to small countries where limited activities are authorized; and regional assistance to certain countries where USAID has ended or is ending its bilateral assistance programs (sub-section C).

A. AFRICA REGIONAL PROGRAM (\$33,798,904 DFA of which \$20,834,615 is for Encouraging Economic Growth, \$2,306,891 is for Stabilizing Population Growth, \$9,562,398 is for Protecting the Environment and \$1,095,000 is for Building Democracy).

By far the greatest proportion of USAID's assistance to Africa is provided through bilateral programs in the field. However, these bilateral programs are supplemented by a regional program which strengthens or assists USAID field missions. There are four important purposes that the regional program performs:

- (1) The regional program provides a mechanism to reduce costs of bilateral activities by taking advantage of economies of scale;
- (2) The regional program works with a number of regional institutions that are, perhaps the precursors to the Africa of the twenty-first century, an Africa built upon regional cooperation;
- (3) The regional program has been used as a catalyst to help USAID African missions begin programming quickly in areas that are new for them. This happened in the 1980s when the new emphasis on policy reform was guided by the African Economic Policy Reform Program (AEPRP) in support of private sector programs, and when fighting HIV/AIDS became an important development issue. In the 1990s, the regional program has been an important mechanism for helping the bilateral programs design new democracy and governance projects and support free elections.
- (4) Finally, the regional program supports program and policy-relevant research. What Africa most needs is new, better ideas; ideas that will increase the effectiveness of the donor and African resources already committed to sustainable development on the continent. For example, what are the problems associated with decentralization? How can USAID better support privatization? What are the best practices in providing child health and family planning services? Africa is a very complex environment for development. USAID has learned much and the programs of all donors are now much more effective than they were in earlier decades.

The USAID regional program in Africa supports the five Agency sustainable development strategy objectives.

SO 1. Encouraging broad-based, sustainable economic growth (\$18,774,615 in DFA).

The Africa regional program focuses on three separate outcomes: (1) increasing the level of human resource development in Africa, (2) improving the policy and institutional environment for broad-based sustainable economic growth, and (3) helping to increase productivity and production in the agricultural sector.

Activities in Human Resource Development. In the long run, the most important determinant of successful development is the establishment, of an educated, healthy labor force. The regional program has been supporting USAID's unique approach to basic education in the African region by participating in the design of every basic education program, and working directly with the World Bank and other donors to champion education reform. In the area of advanced training, the regional program has supported two major training activities -- the graduate fellowship program, Advanced Training for Leadership and Advanced Skills (ATLAS) and the short-term Human Resource Development for Africa (HRDA) projects. The regional program provides core management support, thus saving bilateral missions overhead costs by taking advantage of economies of scale.

The regional program also has supported a multi-donor organization, the African Economic Research Consortium (AERC). The AERC's purpose is to help upgrade the quality of economic training and research in Africa. It does this through a very small staff which, last year, became completely Africanized. The AERC, in turn, supports a network of faculties of economics to help them to provide masters degree programs in Anglophone Africa (excluding Nigeria). Many, if not most of the 13 universities in the network tried to run masters' programs, but they lacked the capacity to do it effectively. By joining together, and providing education at only five, higher quality institutions, they increased quality and reduced cost. Perhaps most important, the whole integrated Masters' program idea came from the African universities themselves, launching a new spirit of cooperation.

In the child survival area, the regional program has been working with the United Nations Children's Fund (UNICEF) and the World Health Organization's African Office through the regional Expanded Program for Immunization to make immunization policy focus on sustainability. In 1993, USAID realized that UNICEF was reducing its support for immunizations (which had reached a high water mark the previous year) because donor funding was being reduced. The regional program provided an infusion of resources for UNICEF for maintaining the high level of immunizations, provided major changes were made. The new strategies for immunization focus on moving away from separate vertical programs such as immunization campaigns, and concentrating more on horizontal programs, i.e. the whole set of issues and interventions that improve child health, from immunization, to infant feeding habits, to contraceptives for mothers to increased time between pregnancies.

USAID has also supported (via a World Bank-administered trust fund) the regional Onchocerciasis Control Program (OCP) to control and prevent river blindness in West Africa. The OCP is widely hailed as the most successful vectorborne disease control program in history as well as one of the most successful USAID-funded health projects.

Activities in the Development of an Enabling Environment for Private Sector-led Growth. One of the most dramatic changes in Africa has been the shift from a development strategy that emphasized state control of the economy to one which sees the role of government to be creating an environment in which the economy will grow through the efforts of the private sector.

The regional program has supported a number of efforts to help USAID Missions improve the economic policy environment. For example, the program has supported a project called Implementing Policy Change (IPC) which has been used in a number of African countries to help the process of policy reform become more African led and designed. In the area of private sector development, USAID has supported several initiatives through the African Private Enterprise Fund (APEF) to develop indigenous business leadership, the most prominent of which, is the African Business Roundtable, a West African organization that links business people and gives them an opportunity to share experiences, to speak with one voice in policy issues that are important to them, and to facilitate interaction (and investment)

between African entrepreneurs and foreign investors, particularly, Americans. The regional program has also supported the World Organization of Credit Unions which provides technical help to nascent African national credit union associations, thereby supporting the many USAID bilateral programs which work with local credit unions.

In agricultural development, USAID's regional program has been working, through the Policy Analysis, Research and Technical Support (PARTS) project to improve African agricultural research institutions, agricultural marketing (of both inputs and commodities), and agricultural policies. Agriculture has to be the main growth sector in most African countries, because it is so central to the economy and because most of Africa's poor earn their livelihoods through agriculture and related industries.

Several USAID activities have focussed on strengthening the networks that transmit new agricultural research discoveries from the International Agricultural Research Centers to the African National Agricultural Research Institutions (NARS). USAID has been promoting increased African ownership of the networks, regional specialization (for example, Mali might emphasize millet research while Niger would emphasize millet), and promoting more effective management of the NARS through strategic planning and evaluation.

USAID, through PARTS, has been supporting the Food Security project which provides, through Michigan State University, analytic support to countries trying to improve their policies in agriculture, particularly in basic food crops.

Progress in 1993-1994. Because of the diversity of the program, progress will be discussed in terms of particular activities.

Human Resource Development. New data from the African Graduate Education project, of which ATLAS is a new and improved version, shows that of the three thousand graduates of that program, which supports both Masters level and Ph.D. level study, 90% finished their degrees (compared to 50% for American students) and that 90% returned to their country of origin.

In health, the OCP has resulted not only in significantly reducing the incidence of blinding caused by this parasitic disease, but also in allowing people to return to an estimated 15-25 million hectares of productive farmland, which was largely unused because of this parasite. USAID is supporting the sustainability of this effort by integrating the required OCP functions into the national health infrastructures of its target countries by 1997.

The Enabling Environment for Private Sector-led Growth. One of the outcomes of the Implementing Policy Change program was a major USAID/World Bank/African examination of livestock trade in West Africa, which pinpointed many policy constraints in taxation and regulation. As a result of this program, Burkina Faso changed its livestock policy, and herder associations and importers were strengthened sufficiently to reduce illegal checkpoints and extortion in Cote d'Ivoire. This has reduced costs to middlemen and led to increased prices to herders and decreased prices for consumers.

Agriculture. One result of USAID activities in agricultural research has been rapid spread of new disease-resistant potato varieties in East and Central Africa which means greater availability of an inexpensive staple food for millions of poor people in the region. Studies USAID has conducted to assess rates of return from various agricultural technology investments has led to much greater emphasis on impact assessment by a number of national and regional research institutions. This is expected to substantially improve these institutions' ability to make decisions about which technological developments are likely to have the biggest economic impacts and thus get the biggest bang from their scarce resources.

The analytic efforts of Michigan State University have led to many important results. In Zimbabwe, for example, studies on corn marketing were instrumental in causing the government to radically reform

its policies. Once, all corn (the key staple food) was bought by a government parastatal, brought to one of four large-scale mills in the capital, Harare, processed, and then sold as flour in both urban and rural areas. This meant very large transport costs and very large profits for the large-scale mills. When marketing was liberalized, entrepreneurs throughout the country were able to start small hammer mills which processed the corn into a much coarser, more nutritious meal. As a result, 40,000 new hammer mills were started within three years, producing around 100,000 jobs, and the cost of maize to the consumer dropped 20%, even when the large government subsidy was eliminated. Perhaps, the most effective way to reduce poverty in the short run is to reduce the price of what the poor eat.

## SO 2. Improved management of the environment (\$8,122,398).

Activities. The USAID regional program focuses largely on improving the policies, strategies and programs for managing the environment. It does this in several ways. First, through the PARTS project, by developing a strategic framework which helps USAID missions decide how to promote conservation in such a way as to contribute to economic growth objectives. Perhaps the most important message that the regional program has been pushing has been the idea that growth and environmental management are mutually supportive rather than being conflictive.

Second, the USAID regional program strengthens a variety of environmental groups, both American and African, in linking conservation to improved economic opportunities for rural people. Third, USAID works closely with the World Bank and other donors in Africa through the Multi-Donor Secretariat and the Network for Sustainable Development in Africa to support the process of developing National Environmental Action Plans. The purpose of these plans is: first, to involve all the organizations, private and public, with an interest in protecting the natural resource base, in a participatory process that the people and the government can buy into; second, to ensure that environmental concerns are carefully integrated into development policies and strategies; and third, to serve as a mechanism for coordinated programming of donor resources.

Progress in 1993-1994. While there have been many successes at the local level (for example, the agricultural research program in Mali has transferred to farmers over twenty new technologies to conserve soil and water), most African countries are still far from moving from local success to national successes. Nevertheless, USAID and its partners are learning as local level activities are undertaken and are working to expand these activities on a national basis. Nowhere is this clearer than in Madagascar, where local and international nongovernmental organizations (NGOs) are trying out different mechanisms to link local communities to biodiversity conservation.

These ideas work. In Zimbabwe and Botswana, many local communities have been given control over the large animals in the region. This provides a powerful incentive to maintain animal populations while harvesting them carefully for profit. The result has been doubling of income in many villages, which is shared among the villagers, but also used for local improvements such as schools and health centers.

## SO 3. Decreasing population growth (\$2,306,891).

Activities. Most of the responsibility for non-bilateral activities in the population area has been housed in USAID's new Global Bureau. The Africa regional program has two elements: (1) strengthening the analytical capacity of key African institutions, in particular, the Center for African Family Studies (CAFS) in Nairobi and the Research Center for Population and Demography (CERPOD), located in Mali; and (2) conducting operations research aimed at improving the effectiveness of family planning programs in Africa. Preliminary studies are examining ways to improve urban delivery systems and examining the costs and benefits of integrating population programs into the national health system.

USAID is working with the Japanese on a common agenda for aid to Africa in the population and health areas. One major change in Japanese assistance policy now allows them to buy consumables such as contraceptives, or HIV/AIDS testing kits. The idea is to use Japanese purchases of

consumables to complement USAID's programs to improve logistics, management, training, and policies in the family planning area.

Progress in 1993-1994. Both CERPOD and CAFS now have the capacity to do important analytic work on their own, and the regional program has used these organizations, which combine advanced training with deep African cultural knowledge, as researchers in the population area.

#### SO 4. Strengthening democratic governance (\$1,095,000 in DFA).

Activities. The Regional program focuses on three aspects of democratic governance:

A. The USAID regional program seeks to improve policies, strategies and programs to accelerate improved governance in Africa (1) by conducting assessments/studies of the status and direction of democratic institutions; and (2) building the capacity of African institutions to do the same, and by supporting an inclusive process of reforms that address institutional weaknesses.

B. Improving the accountability and responsiveness of public officials--by improving electoral laws, structures and processes, and by developing the capacity of civil society to ensure the openness and competitiveness of the electoral process; and

C. Accelerating the process of improved governance by improving the capacity of civil society groups to both provide improved decentralized governance and to demand improved governance at the national and local levels.

Progress in 1993-1994. While the major impact of USAID's analytical program is to help provide the basis for new mission democracy governance programs, an important result is the process's impact on African participants. For example, take the case of Cheibane Coulibaly. He heads a civic organization called the Association for the Protection and Strengthening of Democracy in Mali (ASARED). He was intimately involved in the Mali democratic governance assessment. ASARED has used the findings of the regional program assessment to inform the public and the government regarding the weaknesses of plans to pass decentralization legislation which ignored the 10,000 villages with a rich history of local governance. As a result of a broad lobbying initiative, the Government has pulled back from its initial plans and has now requested ASARED's participation in the drafting of a new bill.

The African Electoral Assistance Fund (AREAF) has been supporting African elections, providing assistance in areas like voter education and registration and election monitoring. This has been invaluable in ensuring confidence in these elections. For example, in Guinea, the National Republican Institute (NRI), a grantee under AREAF, was involved in monitoring the national presidential elections. These elections were seriously flawed, as the NRI reported, and, as a result, USAID has eliminated its balance of payments support to Guinea, sending a clear message that the legislative elections must be free and fair.

More successful results occurred in Mozambique where a multi-donor election monitoring effort, in which USAID was particularly prominent, helped ensure that the national elections were free and fair, thus ending a 15 year war, and bringing bright hopes that Mozambique may at last be able to deal with major problems of poverty and underdevelopment.

SO 5. Improving the capacity of USAID and African nations to respond to and avoid disasters (\$3,500,000 of which \$2,060,000 is in Encouraging Economic Growth and \$1,440,000 is in Protecting the Environment).

Activities. The Regional program has been set up to provide assistance to bilateral missions in responding to and preventing major disasters. The two areas in which the regional program is

focused is in predicting and mitigating the effects of drought and in responding quickly to grasshopper and locust outbreaks. The drought-fighting activity is USAID's Famine Early Warning System (FEWS) which is located in a large number of drought-prone countries, and which monitors weather patterns as well as economic and social factors such as food prices, livestock sales and migration. While FEWS is important as an early warning system it also functions to target food assistance to the areas most in need.

Locust and grasshoppers represent a perennial threat to Africa's food security. The African Emergency Locust and Grasshopper Assistance (AELGA) project provides quick and timely assistance to missions and countries where food harvests are threatened by outbreaks of locusts and grasshoppers. These activities save countless dollars in providing effective and immediate services.

**Progress in 1993-1994.** So far, wherever USAID's famine early warning system (FEWS) has been introduced, famines have never re-occurred. By providing more timely and appropriate information about emerging famine conditions to key decision makers, more appropriate pre-emptive actions can be taken to prevent famine conditions from developing. Not only can more well informed and timely actions translate into cost savings but, more importantly, also into the reduced loss of life among those facing the famine threat. This includes not only those who face famine risks directly but also others who feel the indirect impact. In 1992, the combined U.S. response to the southern Africa drought kept that climatic disaster from becoming a human tragedy. FEWS was instrumental in guiding the donor and African Government response.

In 1994, USAID realized that East Africa, already suffering from structural food deficits, large-scale refugee movements, and the emerging human disaster in Rwanda, would be overwhelmed if a drought occurred. Because of the early warning system, USAID was able to put in place a plan that could have saved perhaps millions of lives and donor resources. The rains did come this time and drought was a local, not regional, phenomenon. Nevertheless, the work of FEWS and quick action by the donors, ensured that food was provided to the most vulnerable groups and the drought did not result in famine.

**B. SAHEL REGIONAL PROGRAM** (\$241,036 DFA of which \$106,000 is for Encouraging Economic Growth, \$103,596 is for Protecting the Environment and \$31,440 is for Building Democracy).

The Sahelian states (Cape Verde, Mauritania, Gambia, Guinea-Bissau, Senegal, Burkina Faso, Mali, Niger, and Chad) are among the poorest in the world, with annual per capita gross domestic products (GDPs) ranging from \$200 to \$700. The states are characterized by high population growth rates, low literacy rates (none higher than 40%), especially among the female population (generally 20% or less), by a fragile ecological system, and by a largely rural population. The region is subject to recurrent droughts, which places over 70% of the population at risk due to their dependence on rainfed crops and animal agriculture. Overall, population densities are low, but, because a large portion of the land area is desert or near-desert, density per arable hectare is high and the already small forested areas are being depleted at approximately 2% per year. The regional program supports U.S. interests by increasing food security, thereby reducing the need for costly emergency assistance programs; by promoting political stability; and by encouraging free-market development. The Sahel Regional program complements USAID's bilateral programs in West Africa by supporting intraregional dialogue on and agreements to foster economic growth, democratization and food security that are beyond the scope of bilateral relations but vital to sustainable economic and social progress in the region. Although bilateral programs have been closed in some of these Sahelian states, limited activities will continue where participation is essential to regional cooperation.

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

The Sahel has a number of serious development challenges. The fragile ecological system, marked by historically high rates of deforestation, soil degradation and erosion, and a rapidly expanding population places a large portion of the population at continuous risk. Even in "good" years, the region has

pockets of high vulnerability. Food security is reduced further by low and highly variable rates of economic growth. Past attempts by governments to manage national economies using state owned and operated agricultural and industrial parastatal organizations and extensive regulation and taxation (both formal and informal) in almost all parts of business activity pushed a large portion of economic activity into the informal sector, where business training, access to credit and entry into regional and world markets are limited. The region has become more and more dependent on food imports (increasing annually at 12%), and export activity, vital to food security, has not kept pace (increasing annually at 5%). Only about 6% of total recorded trade is within West Africa.

The Sahel has a number of development constraints, but there are opportunities. The states have recognized that they are interdependent, both among themselves and with the coastal states, and have taken steps to adjust to this reality. One of the oldest and most positive steps was the creation of the Permanent Interstate Committee for the Control of Drought in the Sahel (CILSS) which, despite the high food vulnerability of the region, has been credited with helping to avoid famine by increased coordination both among CILSS states and with the donors in the Club du Sahel consortium. Jointly, CILSS and the donors have established one of the best early warning/monitoring systems in Africa. CILSS has also recently expanded its "mandate" to include relations with coastal states, which represent important markets for both inputs and locally produced goods. Finally, there is a growing emphasis on greater participation at all levels of civil society.

Until recently the bloc of West African countries which use a common monetary system, the African Franc Community (CFA) franc, employed monetary and fiscal policies which held inflation at low levels relative to the non-CFA countries, but which also destroyed their competitiveness in the world markets on which they are so dependent. Industry collapsed, to be replaced by artificially cheap imports, agriculture stagnated; and capital flight reached crisis levels. In January 1994 the countries in the CFA monetary unions devalued the CFA by 50%, the first devaluation since the currency was created in 1948. This devaluation, along with intensified structural adjustment programs and debt rescheduling, has placed these countries on a course which is much more optimistic for growth and development. The Sahel Regional Program is structured to advance this process.

#### Donor Coordination.

The special nature of the Sahel Regional Program is that it supports USAID membership and participation in the Club du Sahel. Direct Club members include Austria, Denmark, Italy, Japan, Switzerland, France, Germany, Canada, Netherlands and the United States. Several multilateral donors and agencies attend many of the coordination meetings, and the World Bank, the European Union, and the Food and Agriculture Organization sometimes finance special programs. The USAID program described below is planned and implemented collaboratively with the Club and CILSS, and represents USAID's comparative advantage.

#### Strategic Objectives (SOs).

The Sahel Regional Program is pursuing three strategic objectives, which together are contributing to increased food security and ecological balance in Sahelian Africa. The program is limited to regional activities, with the intent of addressing issues that cut across national boundaries, and which also complement bilateral programs.

#### ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$106,000).

SO 1. Assist national governments, regional institutions and private sector associations to identify, clarify, and implement policy options which promote trade and investment in the West Africa region (\$106,000).

Through this objective, USAID pursues "broad-based economic growth" by addressing policy and regulatory impediments to the development of local markets and exports, especially the enabling environment affecting agriculture and commerce. To achieve the objective, debate at regional fora and analyses of monetary and trade issues of importance to West African countries and management of actual change in policy are supported.

**Activities.** The program supports two types of activities: (1) Sahelian-led dialogue on monetary and trade policy at the regional level; and (2) building capacity for private and public sector agents to identify and eliminate barriers to trade in the region. The first activity is primarily enhancing the capability of the African analysts, stakeholders and policy makers to carry out their own research and dialogue. The second is focused on building the institutions or structures that buttress stakeholder participation in the development and implementation of action plans by public and private sector groups. The program is active in eleven West African countries, via the West Africa Enterprise Network and the Mali-Burkina Faso-Cote d'Ivoire Livestock Action Plan. It also provides support to CILSS activities focusing on trade policy and policy coordination.

**Indicators.** Progress toward achieving this SO will be measured by the following indicators: (1) at least eight countries use comparative advantage as a basis for setting trade policy by 2002; and, (2) weighted transactions costs for regional trade of major commodities is reduced 20% by 2002. Transaction cost is defined to include the formal and informal costs associated with the movement of goods or the provision of services from producers to consumers. Lowering these costs will result in net income gains to producers, processors and consumers.

**Feasibility and Cost-effectiveness.** The West African community has come to understand that economic growth in the region must be shared. The coastal countries can provide growing markets for interior products and people, while the interior countries can provide a market for inputs and manufactured products. However, present recorded trade in the region is very low; in 1990 only about six percent of all ECOWAS (West African Economic Community) trade was within the community. The CFA-zone is somewhat better integrated, but even it had only about nine percent of total trade between member states (1991 to 1993). Formal and informal barriers to trade are one of the major reasons for this low rate of trade between nations in the region. Another barrier, the overvalued CFA, has recently been removed, so the feasibility of expanding growth through better regional cooperation has been strengthened. The approach taken by the Sahel Regional Program is to assist individuals and groups to understand the problem, to organize to discuss and debate the issues, and to develop and implement concrete action plans which lead to the progressive elimination of barriers. The cost is modest and there have been no significant problems in implementation. Supporting an African-led approach has enhanced both cost-effectiveness and feasibility.

**Progress in 1993-1994.** The Livestock Action Plan for Mali, Burkina Faso and the Cote d'Ivoire is the first of a planned series of action plans to be implemented under SO 1. Progress, as measured by the savings in transaction costs associated with marketing livestock between these countries, is conservatively estimated to be \$1.8 million in 1994. Impact is not limited to the effect on livestock marketing costs, because other commerce will also profit from reforms achieved through the implementation process. There are several kinds of positive impact: reduction in transaction costs - which may impact directly on traders' income, on lower retail prices, and on higher producer prices; increases in trade - which impact positively on incomes of all market participants; and generated indirect impacts - from economic activity to support increased trade and increased incomes.

The West Africa Enterprise Network as of 1994 has 300 business members in eleven West African country networks that, in turn, combine into a regionwide network. With USAID assistance, each country unit and the regional network has developed and is implementing a strategy statement and an action plan aimed at improving intraregional business conditions.

**Constraints.** The primary constraints are the risk of political instability, and the variety of monetary and commercial systems in the region. Commercial laws and regulations and traditional systems make it difficult to enforce contracts, and different monetary systems in the region make it difficult to complete transactions. Financial institutions are weak and in some cases they are not adapted to the needs of the private sector, especially to smaller firms and women owned businesses. Structural adjustment programs are addressing these issues, but it will take time before the benefits of these adjustments are available.

#### **BUILDING DEMOCRACY (\$31,440).**

**SO 2. Regional dialogue increased on the role of civil society and communal, local and national governments in achieving improved governance of natural resources, food security, and market development (\$31,440).**

By promoting dialogue among private and non-governmental institutions, SO 2 addresses USAID's "building democracy" strategy of focussing on the "absence or weakness of intermediary organizations, such as labor unions, business associations, media outlets, educational institutions, and civic groups." The topics of the analysis and dialogue promoted by SO 2 support the USAID strategy of protecting the environment and encouraging broad-based economic growth. This strategic objective responds to the need for institutionalized economic and political participation and decentralized democratic governance in order to sustain improvements and ensure program impact. Attention is focused on strengthening institutions through regional networking and dialogue to support the development of a vibrant and effective partnership between civil society and government entities from the community to the national level. Experience has shown that devolution of governance in the Sahel improves the effectiveness of natural resources management, contributes to food security and allows local markets to flourish; hence this SO cuts across and reinforces the other two SOs.

**Activities.** Three activities are being undertaken to achieve the strategic objective: (a) strengthening the capacity of groups in civil society - particularly representatives of grassroots-level interests - to actively participate in the dialogue, (b) supporting their actual attendance at regional conferences, and (c) supporting the development by Sahelian institutions of materials that will serve as the basis of discussion at regional exchanges. These materials might include, for example, documentation of the special constraints faced by women, herders and other traditionally disadvantaged groups in obtaining and using natural resources; building a database of successful experiences in decentralized natural resource management; and public service provision and documentation of alternative tenure conflict resolution practices.

**Indicators.** Indicators are: numbers and quality of regional discussions on the role of civil society and government at various levels in improving management of natural resources and public service delivery, food security, and market development; and relevant stakeholders included in planning, implementing and follow-up of the discussions. By 2002 USAID expects that eight of the nine CILSS countries will have undertaken broad public reviews of land tenure issues, and will also have formed participatory national commissions to deal with decentralization policy and legislation.

**Feasibility and Cost-effectiveness.** The movement toward democracy and democratic governance gained momentum in Africa only within the last five years. The process of democratic reform is complex and lengthy. This strategic objective, by promoting understanding and dispelling fears about democracy through conducting analyses, disseminating factual information, developing strategy options, and promoting communication, will provide critical inputs for West Africans as they work through this process. This approach has been selected as the most cost-effective way to help West Africans improve participation in civil society, the alternative is chaos and social collapse, or a return to failed autocratic systems of the past.

**Progress in 1993-1994.** A CILSS and Club du Sahel-sponsored Regional Conference on Land Tenure and Decentralization was held in Praia, Cape Verde, June 20-24, 1994. The conference was the result of a four-year series of CILSS and Club studies and meetings, catalyzed with USAID funding and expertise, which have documented the experiences of some countries with an enhanced role for civil society in the delivery of public services and natural resources management. In line with the CILSS environmental mandate, and member country as well as donor concerns, the studies and meetings have emphasized the nexus among local-level, decentralized control of resources; renewable natural resource management and land tenure issues affecting sustainable land use patterns.

Participation in the conference included large numbers of well-prepared representatives of peasant groups, the Sahelian press, the private sector, NGOs as well as locally elected office holders balancing the more typical contingent of donor and state representatives and foreign consultants. The outcome, embodied in the Praia Declaration, consists of very substantive policy recommendations which, for instance, bear on the legal recognition of local institutions, the authority of citizens to constitute new jurisdictions and the recourse of citizens faced with arbitrary decisions. In a written "platform" the peasant representatives requested that (1) CILSS establish a permanent committee to monitor the implementation of the Praia recommendations and proposed that their network of peasant organizations be incorporated into the process, and (2) the network be accorded observer status at all CILSS meetings which concern peasant organizations. The "platform" was accepted by the CILSS member states and is now being implemented.

**Constraints.** In some African countries political unrest and uncertainty are the major constraints to the full participation of individuals in the political and economic development in the region. Elite groups and coalitions will face loss of traditional sources of power, prestige and wealth, all of which may threaten the orderly transition to more democratic, more participatory systems.

#### PROTECTING THE ENVIRONMENT (\$103,596).

**SO 3. Decision makers have ready access to relevant information on food security, population and the environment (\$103,596).**

SO 3 facilitates the access of decision makers to important environmental and food security information and improved monitoring systems generated by West African institutions.

**Activities.** Program activities are implemented through USAID projects which provide support to regional institutions under the CILSS umbrella (CILSS headquarters; the Sahel Research Institute [INSAH]; the Center for Studies and Research on Population [CERPOD] and the Regional Agroclimatological, Hydrological and Meteorological Institute [AGRHYMET]). Program support to AGRHYMET and CERPOD helps them provide services to CILSS member states (resource monitoring; technical training; early warning; population policy, strategy, and action plan development). Support to INSAH helps with institutional development and the provision of services to member states (natural resource management, agricultural policy and food security analyses and related dialogue).

**Indicators.** Number of countries whose policies and concerted actions for food security, natural resource management, and population reflect sound development methodologies and analyses, supported by regional natural resource and population information systems.

**Feasibility and Cost-effectiveness.** West African, and particularly the Sahelian states have committed to improved regional cooperation. Numerous regional institutions and many "conventions" have been created. While the history of these institutions has not been as positive as hoped, they continue to evolve and adapt. The CILSS, via its recent reorganization, has shown a willingness to undergo significant reform, as have the economic and monetary unions in the CFA countries through their recent reorganization. The activities supported by the regional program are aimed at increasing the capacity of West Africans to guide their own institutions in their own interests, so feasibility is

maximum. A large portion of the program is aimed at increasing and improving coordination between and among donors and Sahelian states, so cost-effectiveness is also maximized. Finally, by addressing critical information and training needs at the regional level, costly duplication is minimized and economies of operation are maximized.

Progress in 1993-1994. The CILSS system has been implementing a major reorganization, so many of its activities were suspended during 1993-94. During this transition period, USAID helped to establish financial and administrative systems for the "new" CILSS. Despite the reorganization, CERPOD and AGRHYMET continued to operate. AGRHYMET has expanded its role as a data and information center and has become a more active participant in analysis and dissemination of spatial data -- resources, population, and economic data. It collaborated with CERPOD in preparing a well-received and unique-among-African-delegations presentation for the World Population Conference held in Cairo in September 1994. Similar collaboration will be established with INSAH, the other major institution at CILSS. CERPOD has helped all nine CILSS countries and several other West African nations prepare population policy statements. Six of the nine CILSS nations have formally adopted the population policy statements as national policy aimed at moderating population growth rates. Extensive research was completed on population dynamics, and training in research methods for West African professionals was carried out. CILSS has completed its first three-year workplan, which will guide the institution's activities and help to focus donor assistance.

Constraints. The ability of the West African, and particularly the Sahelian, states to sustain levels of financing needed to support regional institutions is a major constraint. Careful management, identification and pursuit of common priorities, and coordinated donor support can help overcome this constraint.

#### **Other Donor Resource Flows.**

The composition of donor flows to the Club du Sahel is divided into two parts -- support to the work program and support to the Club's operating expenses. The Club's annual budget (both categories combined) is approximately \$3.5 million, not including financing for special projects. The United States is the largest donor (28% in 1992), followed by Canada (23%), the Netherlands (17%), Germany (12%), and France (9%).

Donor flows to CILSS are composed of direct financial and project support and the funding of limited direct technical assistance. Since CILSS was reorganizing for the last two years, the level of financing has been relatively low. However, key institutions -- CERPOD and AGRHYMET -- have continued to operate with funds provided by various organizations. Total donor flows to CILSS (as an institution) totaled about \$45 million in 1994. Major contributors are, the United States, Germany, France, Italy, and the European Union. Other contributors include the United Nations, Canada, Netherlands and Belgium. USAID accounted for 6% of the total (30% of CERPOD's total, 7.5% of AGRHYMET's total, and 23% of CILSS headquarters total in 1994).

C. OTHER COUNTRY ACTIVITIES (\$6,405,602 including \$6,305,602 DFA of which \$4,027,425 is for Encouraging Economic Growth, \$151,325 is for Stabilizing Population Growth, \$282,179 is for Protecting the Environment and \$1,844,673 is for Building Democracy and \$100,000 DAF for Stabilizing Population Growth).

USAID maintains bilateral development activities in two countries, without the benefit of in-country direct hire USAID staff - Sao Tome and Principe and Sierra Leone. The limited portfolio of activities in these countries consists of private voluntary organization grants, Ambassador's Special Self-Help Program, Section 116(e) Human Rights grants, and small-scale Peace Corps partnership activities.

USAID also funds, on a very limited basis, activities in nine countries where the Agency has ended its bilateral assistance program and closed its mission. By the end of FY 1996, all nine of these missions

will be closed: Botswana, Burkina Faso, Cameroon, Cape Verde, Chad, Cote d'Ivoire, Lesotho, Togo and Zaire. In these nine countries USAID will fund, through regional mechanisms, activities which support U.S. interests. These activities include Ambassador's Special Self-Help activities, Section 116(e) Human Rights grants, small-scale Peace Corps partnership activities, and regional projects where a country's participation is integral to a project's success in addressing critical global concerns such as HIV/AIDS.

There are a few other countries - Comoros, Djibouti, Equatorial Guinea, Gabon, Seychelles, Mauritania and Mauritius, where USAID has never maintained a presence or has closed its mission (e.g., Mauritania), or ended its bilateral programs (e.g., Comoros, Equatorial Guinea, Mauritius). However, as with the other small countries, USAID does provide funds through Ambassador's Special Self-Help Program, Section 116(e) Human Rights grants, and small-scale Peace Corps partnership activities.

**D. AFRICAN ECONOMIC POLICY REFORM PROGRAM (AEPRP)** (\$8,500,000 DFA of which \$3,485,000 is in Encouraging Economic Growth and \$5,015,000 is in Protecting the Environment).

Between 1985 and 1994, USAID has funded 36 economic policy reform programs in 23 African countries. These programs helped bring about critical policy changes in important areas such as agricultural marketing and girls' education, combining technical assistance, studies, dollars and local currencies in a coherent package, with dollar disbursements linked to the satisfaction of specific conditions. Through the AEPRP mechanism in FY 1994, \$15 million in assistance was provided to West African countries to supplement the impact of the devaluation of the West African franc.

**E. AFRICA REGIONAL DEMOCRACY FUND** (\$14,350,000 in Building Democracy - Economic Support Funds).

The Africa Regional Democracy Fund will promote democratic governance and basic respect for human rights through programs managed by African and U.S. nongovernmental organizations (NGOs). The Fund also will provide certain types of support for political transitions. The assistance through NGOs is critical, especially in countries where no USAID mission is present to manage bilateral projects. The Fund will also reinforce and complement DFA-funded bilateral democracy activities.

**F. P.L. 480 TITLE II** (\$13,370,000 for Humanitarian Assistance).

Through the P.L. 480 Title II, Food for Peace program, USAID provides agricultural commodities to support both emergency feeding programs and regular development programs. The P.L. 480 Title II request incorporated into this regional presentation is for two countries: (1) Cape Verde where the food program is planned for its final year and 2) Burkina Faso where bilateral development assistance is terminating in FY 1996, the food aid will continue to support a significant national food aid nutritional program.

**AFRICA REGIONAL PROGRAMS <sup>(1)</sup>**  
**FY 1996 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	Total
USAID Strategic Objectives						
1. Encouraging Economic Growth	25,593,040	--	--	--	--	25,593,040
2. Protecting the Environment	--	--	13,523,173	--	--	13,523,173
3. Stabilizing Population Growth						
Dev Fund for Africa	--	2,458,216	--	--	--	2,458,216
Dev Assistance Fund	--	100,000	--	--	--	100,000
4. Building Democracy						
Dev Fund for Africa	--	--	--	2,971,113	--	2,971,113
Econ Support Fund	--	--	--	14,350,000	--	14,350,000
Cross-cutting Issue:						
Disaster Response	2,860,000	--	1,440,000	--	--	4,300,000
P.L. 480, Title II <sup>(2)</sup>	--	--	--	--	13,370,000	13,370,000
<b>Total <sup>(1)</sup></b>	<b>28,453,040</b>	<b>2,558,216</b>	<b>14,983,173</b>	<b>17,321,113</b>	<b>13,370,000</b>	<b>76,685,542</b>

(1) Includes all unattributed Africa Regional Program funds, plus funding levels for the following countries: Botswana, Burkine Faso, Cameroon, Cape Verde, Chad, Comoros, Cote d'Ivoire, Djibouti, Equatorial Guinea, Gabon, Lesotho, Mauritania, Mauritius, Sao Tome, Seychelles, Sierra Leone, Swaziland and Togo.

(2) P.L. 480 Title II for Burkine Faso (\$10,823,000) and Cape Verde (\$2,547,000).

USAID/W AFR/SD Office Director: Jerome Wolgin

## REGIONAL ECONOMIC DEVELOPMENT SERVICES OFFICES

FY 1996 Development Fund for Africa Request . . . . . \$13,431,363  
 FY 1996 Development Assistance Fund Request . . . . . \$4,700,000

There are two Regional Economic Development Services Offices (REDSOs), one located in Nairobi, Kenya for East and Southern Africa (REDSO/ESA) and one located at Abidjan, Cote d'Ivoire for West and Central Africa (REDSO/WCA).

## EAST AND SOUTHERN AFRICA REGION (\$812,585).

REDSO/ESA is primarily a service organization and plays a major role in the provision of U.S. economic and humanitarian assistance to 22 countries in the east and southern Africa region that receive USAID assistance. The United States has many interests in this strategic and troubled area. It supports the transition to democracy and the establishment of more peaceful, democratic, market-oriented governments in east and southern Africa. In addition, many of the countries in the region have vast mineral deposits, are potential markets for U.S. goods and services, and have provided important access to United States' forces in time of need. The United States also maintains historic and sentimental ties to the region.

REDSO/ESA's unique capabilities support U.S. interests by finding transnational development solutions to long-term problems in the region. REDSO/ESA is assisting the countries in the Greater Horn of Africa make the transition from economic crises to economic growth. This is being accomplished through a collaborative process with the governments in the region and involves food security, family planning, disaster prevention and conflict mitigation programs. REDSO/ESA has also worked to advance the transition to democracy in South Africa and has promoted peace, democracy, and economic development throughout southern Africa. (See individual east and southern Africa country narratives for country specific information.)

## The Development Challenge.

There are critical development challenges and opportunities in the region. Major challenges include promoting sustainable economic development, ensuring reasonable population growth, protecting human rights, stopping environmental decline, and preempting ethnic tensions. These challenges are complicated by serious natural and man-made disasters and constitute potential threats to peace, stability, and the well-being of all people. REDSO/ESA assists the twenty-two countries in east and southern Africa by providing a central pool of experienced USAID officers to be available on call to advise and assist USAID programs in the region. In addition to its service role, REDSO/ESA is in a unique position to identify regional issues such as those affecting the Greater Horn and southern Africa and to coordinate action to address them. For example, REDSO/ESA played a key role in the successful U.S. effort to minimize the loss of life resulting from drought conditions in East Africa in 1994.

## Strategic Objectives (SOs).

REDSO/ESA, because of its unique functional role in the east and southern Africa region, does not have a typical strategic plan. A program strategy, however, will be developed by April 1995 to conform to USAID strategic planning guidance. In FY 1996, REDSO/ESA will continue to carry out its traditional regional service role, as well as focused catalytic efforts on a regional basis within the sustainable development themes set forth in Agency-wide strategies. The REDSO/ESA budget is justified in terms of the basic four sustainable development themes of Encouraging Broad-Based Economic Growth (\$70,703), Stabilizing Population Growth (\$687,940), Protecting the Environment (\$20,000) and Building Democracy (\$33,942). It is anticipated that the soon to be finalized REDSO/East and Southern

Africa Regional Strategy will identify strategic objectives within the Agency's four sustainable development themes that will form the core of such REDSO/ESA initiatives in the coming years.

**Activities.** REDSO/ESA carries out its bilateral mission support functions through the services of an exceptional cadre of skilled and experienced personnel. REDSO/ESA has also begun to sponsor a number of uniquely integrated region-specific studies, workshops, and networking activities. This positive and extremely utilitarian evolution in REDSO/ESA's regional role largely has been funded through a variety of central USAID projects. REDSO/ESA will also have some regional coordination and field implementation responsibilities for the Greater Horn of Africa Initiative. (See separate narrative on this initiative).

REDSO/ESA recently launched a series of innovative initiatives that "look over the horizon" and anticipate emerging issues and opportunities in the east and southern Africa region. Examples of this expanding REDSO/ESA strategy include: the East Africa Environmental Collaboration Project which sets regional agendas on protection of transnational water resources, ecosystems and animal migrations; the East Africa Regional Networks for Health and Human Resources Project which centers on health problems such as the re-emergence of malaria, AIDS orphans, and health financing; the Regional African Trade for Development Project which strengthens capacity for market reform and innovation; the All-Africa Businesswomen's Advisory Group Project which develops national advisory groups capable of dialogue with host governments; and the Regional Coastal Resources Management Project which integrates coastal resources planning and management.

Other major REDSO/ESA responsibilities include:

- providing food and other emergency assistance to the victims of civil war in southern Sudan;
- managing a famine early warning system for Kenya, Tanzania, Uganda, Rwanda, Burundi, Sudan and Somalia;
- managing an Africa-wide family planning project;
- monitoring regional research grants in agriculture, forestry, and natural resources management;
- monitoring the health and family planning activities of more than a dozen USAID centrally funded cooperating agencies; and
- serving as the controller for the USAID programs in Eritrea, Sudan, Somalia, and Djibouti, and handling accounting and financial reporting for seven other missions: Ethiopia, Burundi, Tanzania, Rwanda, Uganda, Madagascar and Zambia, as well as for REDSO/ESA and the Regional Inspector General.

**Feasibility and Cost-effectiveness.** As noted above, REDSO/ESA's primary strategic directive has been to function as a service organization which provides technical and programmatic assistance to USAID missions throughout east and southern Africa, and to oversee select regional activities where there is no in-country USAID presence. Therefore, REDSO/ESA's direct program and project management responsibilities have been limited. Specialized activities launched by REDSO/ESA have centered on regional issues. Investments in these programs are having an impact on target populations.

**Indicators.** Indicators of progress will be formulated as an integral part of the REDSO/ESA strategic plan.

**Progress in 1993-1994.** Over the past year, REDSO/ESA personnel played a crucial role in all of USAID's major program and project designs in the east and southern Africa region, including: the development of the new initiative for southern Africa; the design of the new Eritrea program, the

design of major education and health programs in Ethiopia, a new health program in Zambia, a new country program strategic plan for the Mozambique program, and all sectors of the new USAID program in South Africa. As noted previously, it also energized and coordinated the successful U.S. response to drought conditions in East Africa in 1994, thus minimizing human suffering, the loss of human life, and the overall impact of drought on fragile east African economies.

REDSO/ESA has been active on many other fronts: in supporting the development of democracy and multi-party political systems in Eritrea, Ethiopia, Kenya, Namibia, and Tanzania; in implementing the peace process in Mozambique; in promoting Women in Development activities in Kenya, Uganda, Tanzania and Burundi; in designing a recovery program for Somalia; in responding to the emergency situation in Rwanda, Burundi (and neighboring Zaire); and in designing the President's Greater Horn of Africa Initiative.

Donor Coordination. Given REDSO/ESA's unique function in the east and southern Africa region, donor coordination has traditionally been a responsibility of the bilateral USAID missions that utilize REDSO/ESA's support services. Nonetheless, recent REDSO/ESA initiatives in environmental protection and population and health activities, as well as in the Greater Horn of Africa Initiative, are increasingly coordinated with the donor community in the region.

Constraints. Experience has indicated that it is difficult to provide substantive oversight, supervision and quick response that is required for timely and successful implementation of a development project if there is no resident USAID management in-country. It is anticipated that the REDSO/ESA regional strategy, which will be completed in early 1995, will provide REDSO/ESA with an improved focus for having long-term and catalytic impact on regional programs.

#### WEST AND CENTRAL AFRICA REGION (\$17,318,778).

West and Central Africa comprises a population of over 260 million. The countries of the region, granted independence largely in the 1960s, inherited colonial borders established with little regard for ethnicity or cultural heritage. The U.S. interest in providing development assistance to the WCA region is tied to humanitarian assistance objectives in the short term and promotion of democratic governance in the long run. Several countries in WCA have governments whose policies are changing and whose commitment to democratic participation is growing. In economic terms, the United States has important investments in the mining, energy, and telecommunications sectors. Finally, WCA is a critical southern frontier with the Islamic world in North Africa. This interface requires special efforts to preserve political, economic, and social stability in the region. USAID currently provides direct bilateral assistance to 13 countries in WCA. The Regional Economic Development Services Office for West and Central Africa (REDSO/WCA) is available to support all countries in WCA that receive USAID assistance. Although most of REDSO's support goes to smaller posts, in this time of cutbacks, even the larger ones are increasingly relying on REDSO's expertise.

#### The Development Challenge.

As the economic and political situation has evolved since independence of the former colonies, countries in WCA have generally shared the experience of poor internal and sub-regional economic growth. There are many reasons for this generally poor economic growth including civil disturbances, generally poor education and inappropriate health practices, ineffective governments and immature private sector institutions, weak program planning and management, and a shortage of trained professional and technical personnel. As a result of these factors, plus a fragile ecological balance that has exposed many inhabitants of the region to periodic droughts, crop failures and food shortages, the region has consistently underperformed in comparison with other developing regions of the world.

REDSO/WCA provides assistance to bilateral USAID posts in WCA in program and project design and implementation. In addition, REDSO/WCA helps establish accountability for the use of U.S. resources

through the services of its financial management, legal and contracting staff. REDSO/WCA staff currently provide the following services:

- Program management and technical services to client posts in accordance with client needs;
- Helping client posts produce high quality and timely strategies, programs, and projects;
- Services in financial management, budgets, and accounting;
- A portfolio of regional projects in the areas of the environment, health and population, education, and democracy and governance; and
- A repository of information and analysis concerning the WCA region, especially for institutions, systems, and networks which cut across national boundaries.

#### Strategic Objectives (SOs).

In FY 1996, REDSO/WCA will continue to provide assistance to bilateral USAID posts in WCA and to assume required managerial responsibilities in closing posts.

**ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$5,976,103 of which \$4,076,103 is DFA and \$1,700,000 is DAF).**

REDSO/WCA's responsibilities are evolving to take account of the growing recognition that many of the most serious development problems in the region require regional solutions. With the design of the new Family Health and Acquired Immune Deficiency Syndrome (AIDS) -- West and Central Africa project, REDSO/WCA has begun to develop a regional project portfolio that will advance the Agency's sustainable development objectives. REDSO/WCA will place priority on improving maternal and child health, and reducing the spread of Human Immunodeficiency Virus/AIDS and other sexually transmitted diseases.

**STABILIZING POPULATION GROWTH (\$11,338,195 of which \$8,538,195 is DFA and \$2,800,000 is DAF).**

In developing its FY 1996 strategy in the health and population sector, REDSO is applying much of its experience of the past few years. This includes lessons concerning the value of community participation in managing primary health care programs (Burkina Faso), the value of using diverse service providers for family planning and AIDS control (Cote d'Ivoire and Cape Verde), how to strengthen public sector health systems (Cameroon and Togo), and how to support cost-recovery programs (Senegal, Burkina Faso, Cameroon). REDSO also is applying knowledge of regional commonalities, cultural similarities and donor coordination to the new project.

REDSO/WCA will place priority on increasing the demand for and supply of family planning services through effective information, education and communication, contraceptive social marketing, community-based distribution of contraceptives, and the improvement of quality of care provided by health workers. The long-term objective of these activities is to help slow population growth in certain countries in the WCA region.

**BUILDING DEMOCRACY (\$4,480).**

In addition, REDSO/WCA will design democracy and governance activities to provide support to bilateral mission portfolios.

#### Donor Coordination.

Donor coordination is the responsibility of the bilateral missions which REDSO/WCA assists. As REDSO/WCA becomes more involved in designing and managing its own portfolio of projects, it will become more closely and directly involved with other donors in the region.

**EAST AND SOUTHERN AFRICA REGION  
FY 1996 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Total
USAID Strategic Objectives					
Dev. Fund for Africa	70,703	687,940	20,000	33,942	812,585
Dev. Assistance Fund	--	--	--	--	--
<b>Total</b>	<b>70,703</b>	<b>687,940</b>	<b>20,000</b>	<b>33,942</b>	<b>812,585</b>

USAID REDSO/ESA Director: Fred C. Fischer

**WEST AND CENTRAL AFRICA REGION  
FY 1996 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Total
USAID Strategic Objectives					
Dev. Fund for Africa	4,076,103	8,538,185	--	4,480	12,618,778
Dev. Assistance Fund	1,900,000	2,800,000	--	--	4,700,000
<b>Total</b>	<b>5,976,103</b>	<b>11,338,185</b>	<b>--</b>	<b>4,480</b>	<b>17,318,778</b>

USAID REDSO/WCA Director: Willard J. Pearson

## THE GREATER HORN OF AFRICA INITIATIVE

FY 1996 Development Fund for Africa Request: . . . . . \$15,000,000  
 FY 1996 P.L. 480 Title II Request . . . . . \$20,471,000

The United States is facing one of its significant foreign policy, humanitarian and economic development challenges in the Greater Horn of Africa. This high risk region comprises 10 countries: Rwanda, Burundi, Somalia, Ethiopia, Eritrea, Sudan, Djibouti, Uganda, Kenya and Tanzania. Over the past 25 years, the frequent incidents of civil conflict, drought and economic mis-management in this region have resulted in a series of failed states fostering regional instability and overcoming African and donor capacity to move the region forward on an upward path of economic growth and development. A new generation of African leaders in the region provides a window of opportunity to support African solutions away from crisis and towards sustainable development. The United States, acting as a catalyst, is proposing an international recommitment and a regional initiative to break the cycle of poverty, despair and continual crisis.

**The Development Challenge.**

The consequence of chaos in this region has been a prolonged humanitarian crisis that costs the United States and the donor community dearly in terms of international emergency assistance from abroad and caused grinding poverty within. It has sapped our collective strength as we succumbed to respond to yet another wrenching crisis. While the United States has fewer significant strategic interests at stake in the region than was the case during the Cold War era, we are confronted with recurring humanitarian crises that cost donors over \$4 billion in emergency aid alone between 1985 and 1992, while over 2 million people died. The United States alone spent \$1.6 billion, including military expenditure, for Operation Restore Hope in Somalia -- a sum equal to two years of total U.S. development aid to all of sub-Saharan Africa.

Political instability is very close to the surface in the region and has caused constant new waves of refugees that are themselves a source of destabilization. There are approximately 11 million refugees and displaced persons in this region -- larger than almost anywhere the world. The island of stability, Tanzania, has had a new wave of refugees from its neighbors every year for over three decades. There is a limit to the region's capacity to absorb refugees and it is imperative to begin returning them to productive lives at home.

Traditional economic assistance strategies have been inadequate to combat and overcome the problems facing this region. Too often, e.g., in Sudan, humanitarian assistance is used for long-term complex emergencies -- long after the immediate crisis abates. Food aid, while important and necessary in this region, has resulted in dependencies that need to be broken with long-term African solutions. Long-term development assistance efforts have been swamped by the political and economic uncertainty that characterizes much of the region. The United States spends currently about twice as much on emergencies as development in this region -- and is not alone among donors in this ratio.

In response to this set of urgent problems in the Greater Horn, the Administrator of USAID led a delegation to the region to assess the situation and to develop recommendations to deal with the structural food deficit problems. The delegation, which included representatives from the Congress and the private philanthropic community, visited the region between May 26 and June 1, 1994, and also consulted with other donors in Europe.

The Administrator's report to the President recommended that, while the United States should continue to play a leading role in meeting the short-term relief needs of the at-risk population in the Greater Horn, the time had clearly come: (a) to increase efforts to address the broader, deep-seated causes of disaster; (b) to meet relief, recovery and development needs in a more coherent way; and (c) to

galvanize the international community to help Africans tackle their problems in a better integrated fashion. Consequently, President Clinton charged USAID with leading the U.S. Government in the development of a framework for a Greater Horn of Africa Initiative (GHAI), a strategy capable of gaining the widest possible support from other donors and from the Africans.

#### **The Greater Horn of Africa Initiative.**

The United States has taken a leadership role to try and break the cycle of despair confronting the world in the Greater Horn of Africa and is calling for an "international recommitment" to the 186 million people living in the region -- almost half of them living close to the edge of hunger. USAID believes that different approaches, rather than large amounts of new money, are needed to move from crises to development. USAID is proposing that the recommitment take the form of a common goal of enhanced food security; that it can be pursued through an integrated framework and process of Africans and donors working more collaboratively and transparently to develop a long-term regional perspective combining emergency and economic assistance to eliminate the root causes of food insecurity.

As was the case for the Sahelian region of Africa over 20 years ago, this challenge requires the development of a regional identity, regional perspective and regional integration framework combining emergency and development assistance efforts in a synergistic manner to promote sustainable development. The United States earlier provided leadership for a regional approach to prevent famine and foster development for the Sahelian countries that, in part, has assisted in transition from emergency and recovery to development. USAID intends to use a similar approach now for the Greater Horn. It will be more challenging in the Greater Horn of Africa, and a higher risk, due to a more diverse set of economic, social, ethnic, linguistic, climate and geographic factors.

The goal of the initiative is that the people of the Greater Horn of Africa shall achieve food security. To reach this goal on a sustained basis, the Initiative aims to institutionalize a process of joint problem solving in the attack on the root causes of food insecurity. There are four broad objectives as follows:

- Different approaches to development of regional and national food security strategies;
- New capacity for crisis prevention, response and conflict resolution;
- Integrated donor collaboration to promote economic growth and reduce population rates; and
- New strategies to ensure the transition from crises, through recovery, to support sustainable growth.

#### **Proposed Phases for the Initiative.**

The United States is currently consulting with African governments, donors and nongovernmental organizations on the concept for the Initiative and how it may be implemented. The next steps in the "facilitative actions" phase would mostly involve a series of activities, not projects, to support the broad objectives of the initiative. This involves a more process-oriented approach to test a recommitment and a regional perspective to new ways of thinking and acting to attack the root causes of food insecurity. The activities under "Facilitative Actions" would include a joint African donor launching of the Initiative; strengthening regional private and public institutions to find regional solutions to regional problems; establishing a conflict early warning and crisis response capacity; defining operating principles linking relief and development to disaster assistance; developing an integrated African donor framework for assessing food security activities; and analyzing new economic growth options. This should take approximately one year and cost less than \$15 million for the U.S. share in 1995.

The 1996 start-up and longer-term root cause phases would commence only after the United States was convinced that we had been successful in instilling new ways of thinking and acting regionally to enhance food security.

#### **Strategic Objectives.**

The initiative has tentatively set out four program strategic objectives under the broad categories for sustainable development as follows:

#### **BUILDING DEMOCRACY (\$1,050,000).**

##### **SO 1. New regional capacity for crisis prevention and civil society (\$1,050,000).**

Civil strife, more than drought, is now the driving force of food insecurity in the Greater Horn region. Recurring social and political instability in the Greater Horn explains in part, and is in part explained by, the absence of strong national civil society institutions. Crisis prevention and conflict resolution are essential to building democracy in the region. There is a requirement to build a new early warning capacity beyond food and weather to deal with the social, ethnic and religious causes of crises. This will involve conflict early warning monitoring and analytic capacity at the local, national and regional levels and the development of a crisis prevention capacity.

Activities. (1) Develop a conflict early warning system, including a prevention capacity with the Africans, the United Nations, other donors and nongovernmental organizations to include political, social, ethnic factors, a mechanism and process for joint action by decision makers. Linking existing institutions on electronic networks and strengthening other networks in the region will provide ready access to early warning information and help strengthen broad civil society in assuring food security. (2) Expand USAID's Famine Early Warning System (FEWS), which currently covers four of the countries in the region, to cover all ten, where feasible, and to rationalize it with other systems such as the Intergovernmental Authority on Drought and Development (IGADD) and the Food and Agriculture Organization's Global Information and Warning System.

Indicators. (1) The application of FEWS from four to ten countries. (2) The establishment of a conflict early warning capacity in the region and within the donor community to monitor and analyze potentially destabilizing social and political conflicts at a regional, national and local level. (3) The effective linking of institutions related to food security, both inside and outside the region. (4) The development of an expanded and effective USAID and African conflict prevention response capacity by civic groups at local, national and regional levels.

Feasibility and Cost-effectiveness. African capacity building, with donor assistance in conflict early warning prevention and disaster preparedness and response, is the most effective means to reduce the demand for humanitarian assistance.

Donor Coordination. USAID is continuing discussions with other donors, the United Nations Development Program (UNDP) and other UN organizations, the World Bank and with the private voluntary organization (PVO) community, as well as with U.S. agencies to establish the capacity for conflict early warning systems and crisis prevention and response for natural and man-made crises.

#### **ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$7,950,000)**

##### **SO 2. Implement strategies and procedures to ensure the transition from crisis to broad-based sustainable growth (\$4,000,000).**

The transition from extensive relief to recovery and development is not occurring rapidly within the region. At times, relief and development activities may be working at cross purposes. Recent

estimates in Eritrea indicate that four out of every five inhabitants are on or have received relief food aid in the last year. This is symptomatic of the problems in the Greater Horn region, in which relief expenditures are larger and often at the expense of development activities. Relief activities need to be administered in a way to create sustainable private and public assets that contribute to economic recovery and growth. This is a large challenge to speed the transition from relief through recovery to development using emergency and development resources more effectively. Food aid can be an important tool in assisting the region to move from dependency to sustainable development and under the Initiative opportunities will be sought to use it more effectively for the dual purposes of meeting immediate needs and reducing the risk of food insecurity. Priority will be given to innovative approaches using the P.L. 480 Title II allocation to the initiative for this purpose in the region.

Activities. (1) Drawing on the wide attention which USAID and others have given to ways of bridging this "gap" between relief and development, USAID is supporting the drafting of principles and guidelines which will govern the work done in this transition phase by national and regional institutions. USAID also will support training programs, carried out by appropriate institutions in the region, for donor and African relief and development workers. (2) Under the initiative, USAID and other donors with African partners, will develop jointly a national strategy in one (e.g., Eritrea initially) or more countries to combine relief, recovery and development programs in a successful transition from relief aid to sustainable development. (3) USAID and other donors will work with African partners and support program proposals for demobilizing former combatants and for reintegrating these and displaced persons into the civilian labor force.

Indicators. Progress towards this objective will be verified by: (1) the existence of a transition operating principles, which have broad support of donors and host countries alike; (2) training programs which make the transitional principles widely available; (3) practical evidence that relief and development operations have become mutually supportive; and (4) evidence of the more effective reintegration of people disrupted by war and drought into peacetime economies.

Feasibility and Cost-effectiveness. The tighter focus of all sources of funding on the long-term goal of food security will help to eliminate situations where one source (e.g., the provision of food) undermines the effect of another (e.g., assistance to create open market economies). At a time when emergency funding through P.L. 480 Title II and through International Disaster Assistance to the Greater Horn is twice as great as development assistance to the region through the Development Fund for Africa, it is vital that various sources of funding be used in the most cost-effective manner.

Donor Coordination. No single donor can bear sole responsibility for assistance in any given crisis or development program. It is therefore essential to effective transitions that the same guidelines and principles be observed by all donors involved. USAID has now engaged the relevant other donors and United Nations bodies, the European Union and appropriate PVOs to define new operating principles which will guide donors and recipients along the continuum from relief to growth.

**SO 3. Realize greater regional collaboration in promoting sustainable economic growth (\$5,450,000, of which \$3,950,000 is for Economic Growth and \$1,500,000 is for Stabilizing Population Growth).**

A regional framework will be strengthened to complement national economic policies. Support will be given to sectors which contribute to broad-based economic growth based on comparative advantage. The importance of bringing population growth into balance with economic growth begins at the local and national levels, but needs to be buttressed and leveraged with regional collaboration to undertake the necessary reforms in the most effective context.

Activities. A regional program will be mounted to strengthen the capacity of national and regional organizations for applied economic policy analysis and investments in critical sectors to support sustainable growth. This may include policy analysis and planning and prioritizing investments in the agribusiness, small-scale credit and regional transport network and other support sectors, such as

storage facilities and communications. These regional activities will strengthen and improve the integration of markets and reduce food insecurity. This program will update and broaden the inventory of assets for emergency assistance in the region, completed by USAID in 1994. A second program will work to improve the capacity, especially of grass-roots PVOs, to provide technical assistance and training (including literacy training) to those applying for credit and attempting to assess new technology packages, taking into account market prices and opportunities. A third program, using the Resources for the Awareness of Population Impacts on Development (RAPID) program, will assist the development of appropriate regional and national policy agenda and regional approaches to reduce population growth rates to support sustainable development.

Indicators. Evidence of progress towards this objective will include: (1) work by institutions in the region, assisted by donors, to plan and prioritize investments which will lead to the closer integration of markets in the region; (2) action by PVOs to expand credit available to small entrepreneurs, households and other members of rural communities; and (3) policy changes which favor family planning, accompanied and supported by improved health and nutrition practices and by expanded access (particularly by girls and women) to basic education services.

Feasibility and Cost-effectiveness. A long-term food security strategy which neglects problems of access to food and utilization of food is only a partial strategy. Access to food is often a function of income. For this reason, many development economists accept levels of poverty as a proxy for degrees of hunger and malnutrition, and vice-versa. Attention, therefore, to income generation and to social services at the grass roots which support the work force is an essential part of the regional initiative, which seeks to reinforce local and national programs with cross national and regional collaboration.

Donor Coordination. The scale of the effort required to create broad-based economic growth in the Greater Horn, and the number of sectors involved, will require many years and a high degree of donor collaboration. USAID plans to fund in FY 1995 a portion of the costs of a meeting for members of the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD) with public and private leaders in the Greater Horn region to review publicly development strategies in the changing region. In addition, a major topic of the consultations which USAID opened with partners in the initiative are the special measures and mechanisms which have been adopted to ensure the better integration of assistance programs in other areas of comparable need, such as the Sahel region of Africa with its Club du Sahel which operates under OECD auspices.

#### **PROTECTING THE ENVIRONMENT (\$4,500,000).**

##### **SO 4. Strengthen support for regional and national food security strategies (\$4,500,000).**

Food security has been defined in this Initiative to cover three essential aspects: the availability of food (trade and sustainable agriculture), access to food (affordability), and utilization (health and nutrition). The myriad of local, national and regional donor projects and programs to achieve food security will be comprehensively reviewed and systemically integrated in order to identify and rectify the important missing links in these programs. "The Food Security Strategy for the IGADD Region, 1990" will be a basis to prepare a more comprehensive regional food security strategy for the Greater Horn as a whole.

Activities. An analysis will be made by Africans and donor organizations on the multiple elements which are essential to sustained food security. Using this analysis, a joint portfolio review will be made of donor and host country programs with the objective of identifying duplication and important gaps. A parallel review will be made at the regional level, where complementarities and efficiencies of scale may be realized in support of food security. Following these reviews, USAID and other donors will seek funding at both the national and regional levels to assist countries address weaknesses in vital areas which contribute to sustainable agriculture and food security, agricultural research and

productivity, intra-regional trade, and food security monitoring and targeting (with help from the early warning systems established and discussed earlier).

**Indicators.** Indicators for measuring progress towards this objective include: (1) production of a food security model checklist and its adoption by partners in the initiative in each country and region; (2) conducting a series of joint portfolio reviews, at regional and country levels; and (3) agreement to seek additional funding of programs which supply vital missing elements in the strategies to achieve sustainable agriculture and food security.

**Feasibility and Cost-effectiveness.** Despite the bleak picture of current food insecurity in the Greater Horn, individual country analyses indicate that, given the right conditions, there is considerable scope for increases in self-reliance. Integrated food security portfolio reviews should eliminate potential duplication and allow cost-effective synergy among donor and host country programs. Regional trade could be a powerful contributing factor in stimulating production, if national comparative advantages are given an opportunity to operate freely. National agricultural research institutions, in close cooperation with International Agricultural Research Centers, could make a significant contribution in raising the level of on-farm technology and in maintaining seed banks for use across borders in times of emergency.

**Donor Coordination.** Regional strengthening of food security in the Greater Horn will require the combined attention of the donor community. The joint portfolio reviews, based on a common understanding of the elements required to achieve food security, is designed to achieve a common perspective on the steps which partners must take together at the regional and national levels. USAID has proposed to other donors and host governments that this process be followed.

**GREATER HORN OF AFRICA INITIATIVE  
FY 1996 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Humanitarian Assistance	Total
<b>USAID Strategic Objectives</b>						
<b>1. Prevent &amp; Resolve Crises.</b>	--	--	--	1,050,000	--	1,050,000
<b>2. Assure Transition Crises to Growth.</b>	4,000,000	--	--	--	--	4,000,000
<b>3. Promote Regional Collaboration for Economic Growth.</b>	3,950,000	1,500,000	--	--	--	5,450,000
<b>4. Strengthen Food Security Strategies.</b>	--	--	4,500,000	--	--	4,500,000
<b>Cross-cutting Issue:</b>						
<b>P.L. 480, Title II</b>	--	--	--	--	20,471,000	20,471,000
<b>Total</b>	<b>7,950,000</b>	<b>1,500,000</b>	<b>4,500,000</b>	<b>1,050,000</b>	<b>20,471,000</b>	<b>35,471,000</b>

GHA Working Group Director: Ted D. Morse

## INITIATIVE FOR SOUTHERN AFRICA

FY 1996 Development Fund for Africa Request . . . . . \$30,170,000

The southern Africa region is very important to the United States. It is strategically situated between the southern Atlantic Ocean and the Indian Ocean. The 11 countries included in the region (Angola, Namibia, Zambia, Zimbabwe, Malawi, Tanzania, Mozambique, Lesotho, Swaziland, Botswana and South Africa), have a combined land area well over half the size of the entire United States, including Alaska. The region is rich in strategic minerals, including petroleum, gold, diamonds, cobalt and copper. The region has a population of about 130 million and a gross domestic product of about \$142 billion. Exports from the region to the United States, about half of which consists of crude oil from Angola, are valued at \$4.4 billion. Imports from the United States are valued at \$3.1 billion, or the equivalent of 60,000 U.S. jobs. With the Republic of South Africa (RSA) as a potential engine of growth, the region will become an even more important trading partner for the United States. The coincidence of these interests with those of the southern Africans has provided the impetus for the new U.S. Initiative for Southern Africa (ISA).

The southern Africa region is undergoing a major transition. Long civil wars have ceased recently. Racial apartheid has ended. Authoritarian regimes have given way to fledgling democracies. Highly statist command economies are being transformed into open, free market economies in which resources are allocated increasingly through the "invisible hand" of the private sector. These dramatic developments offer a unique opportunity to advance U.S. interests by supporting and strengthening the newly established democracies, stimulating economic growth, reducing the need for costly humanitarian assistance.

#### The Development Challenge.

Recent economic growth in the southern Africa region has been highly uneven, with annual gross domestic product (GDP) growth rates ranging from +9.3% in Botswana in 1991 to -10.6% in Malawi in 1994. Since South Africa accounts for roughly three quarters of the region's GDP, its revitalization is expected to be the largest single factor influencing economic growth in the region. With the exception of Angola, virtually all of the other nations of the region are being severely tested by structural adjustment programs that are designed to open their markets, improve their international competitiveness and reverse the declines in their economic growth rates. However, the World Bank recently reached the conclusion that the reforms are incomplete. Additional efforts will be required to accelerate the region's aggregate economic growth. The new reforms that will be required include reduction and rationalization of central government expenditures in order to lower fiscal deficits to sustainable levels, deregulation of the private sector, improving investment policies, accelerating the expansion and diversification of exports, and improving the efficiency of the infrastructural base, especially through policy reform in the telecommunications and transportation sectors. As the southeast Asia experience in the second half of the twentieth century has shown, rapid growth in developing areas provides markets for U.S. products and jobs for Americans as well as the reduction, if not outright elimination, of the need for official development assistance from the United States.

As the countries in the region open politically and economically, they are experiencing greater pressure to meet the needs of rapidly growing populations that are beginning to participate more fully in the economic and political activities affecting their lives. HIV/AIDS is rapidly becoming endemic and must be addressed. Droughts in 1992 and again in 1994 have inhibited efforts to increase agricultural productivity, and have required large infusions of food aid. Environmental degradation has increased, and the maintenance of biodiversity is threatened by the encroachment of human populations on wildlife habitats. Many of the problems are regional by nature and must be dealt with in a coordinated fashion. ISA provides resources that will complement bilateral programs in the region by helping to design and implement programs that address these regional problems from a regional perspective, where appropriate.

Hope has been generated by the end of more than 20 years of civil war in Mozambique and Angola, the demise of apartheid in South Africa, and the recent emergence of democratic governments in Zambia, Namibia, Malawi and Mozambique. Nonetheless, major efforts will be required to continue the democratic transition in the region's fledgling democracies and to promote continued peaceful resolution of subregional conflicts.

#### **Strategic Objectives (SOs).**

The four strategic objectives outlined below represent an interim framework for the Initiative for Southern Africa through FY 1996. A longer-term strategy will be developed by the new Regional Center for Southern Africa that will be established in Gaborone, Botswana in early 1995.

#### **BUILDING DEMOCRACY (\$2,500,000).**

**SO 1. Enhance the skills, knowledge and capacity of individuals and organizations working to strengthen democratic values and processes in the region (\$2,500,000).**

Democracy has made significant gains in southern Africa over the past few years, as authoritarian regimes have given way to democratically elected governments, and nations at war are making the transition to peace under new democratic arrangements. USAID assistance has been instrumental in a number of these transitions. However, the nascent democracies have shallow roots, and southern Africans fear that they may topple in the face of ethnic tensions and economic pressures. There is an urgent need to reinforce nongovernmental organizations and civil institutions that are aggressively promoting and defending democratic values and processes, and are ensuring that all segments of society are able to participate in decisions that affect their lives.

Activities. Through the creation of a democracy fund in 1995, USAID seeks to support the initiatives of indigenous civil and governmental organizations which are working to ensure (1) that citizens understand how democracies function and their rights and responsibilities under their democratic systems, (2) that women's political participation increases, and (3) that legislators have the knowledge and skills needed to effectively manage the legislative process, including an ability to build coalitions and resolve political disputes. The democracy fund will provide approximately \$10 million in grants over a five-year period to organizations such as women's legal rights, media, and educational institutions undertaking regional training or other capacity-building, networking, information-sharing, research and/or collaboration on joint approaches for resolving regional problems in the three subject areas outlined above. Activities must involve at least two of the countries in the region.

Related Activities. Approaches that encourage broad participation of concerned individuals and groups will be utilized in all components of the Initiative for Southern Africa, which is mandated to be African-led and stakeholder-driven.

Indicators. Although not yet formalized, indicators may include: (1) increased number of individuals and organizations with the capacity to provide accurate information to citizens on their rights and responsibilities in a democracy, including how they may engage the government on issues of concern and hold elected officials accountable, (2) increased number of women's advocacy organizations with capacity to represent women's issues in political fora, (3) more effective and efficient legislative processes, and (4) greater citizen understanding of democratic values and processes.

Feasibility and Cost-effectiveness. Many groups throughout southern Africa have expressed the need for assistance in building their own capacities, and a desire to share information and learn from the experiences of others within the region. A number of successful regional workshops and exchanges have been undertaken by nongovernmental organizations (NGOs), proving the feasibility of these approaches. The estimated demand for training and technical assistance in some subject areas by

several countries in the region indicates that regionally administered programs would be more cost effective and efficient than organizing them on a country-by-country basis.

**Progress in 1993-1994.** The democracy fund will begin operation in FY 1995.

**Donor Coordination.** Aid from other donors flows through a number of unconnected channels, e.g., official donors, both bilateral and multilateral, parliamentary groups, international organizations, quasi-NGOs, independent NGOs, churches and academic institutions. Efforts to coordinate donor assistance at the national level have met with varying degrees of success. ISA envisions building upon networks previously established through the Southern Africa Regional Program (SARP) and convening a conference under the auspices of the Development Assistance Committee with other donors, NGOs, and southern African governments to share information on programs and to coordinate activities.

**Constraints.** The success of democracy activities will depend on the willingness of nations in the region to continue their open, tolerant political environments.

## **ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$19,475,000)**

### **SO 2. Increased indigenous business development and ownership (\$2,400,000).**

The small and medium-sized enterprise (SME) sector, comprised primarily of indigenously owned enterprises, will play a major role in creating employment opportunities and improving incomes in the region. Although recent political and economic changes have led to an increase in the number and scope of indigenous entrepreneurial activities, the SME sector historically has lacked access to financial and technical services or was underserved, and has thus experienced other problems such as insufficient working capital, bad debt or cash flow problems. USAID believes that these constraints to SME development and ownership must be addressed for indigenous SMEs to meet the growing need in the region for jobs, and to assure that people at the lower and middle-income levels secure a stake in and share the benefits of economic growth.

**Activities.** To provide increased jobs and income earning opportunities to the poor in southern Africa, USAID is financing the establishment of the Southern Africa Enterprise Development Fund (SAEDF). SAEDF will provide financial services such as debt, equity, guarantee financing and related technical and managerial services to SMEs. The fund will operate as an independent non-profit corporation but is expected to focus investments to ensure financial sustainability in order to continue to service the financial needs of SMEs. The SAEDF will be complemented by a technical assistance project to improve the institutional capability of intermediary financial institutions in the region to service the technical, managerial and investment needs of the lower end of the SME sector. USAID will undertake analysis in support of this strategic objective and engage in policy dialogue with regional institutions, the private sector and governments.

**Related Activities.** A positive correlation exists between the growth of SMEs and the existence and accessibility of reliable and efficient infrastructure. Thus, the improvement of the regional transportation and telecommunications network will assist the development and expansion of SMEs as well as provide conditions to enable these firms to become competitive in the national, regional and international markets.

**Indicators.** The primary indicator for measuring impact is the number of small and medium-sized indigenously owned businesses (disaggregated by sex of business owners).

**Feasibility and Cost-effectiveness.** Experience in the United States and elsewhere has shown that small and medium-sized enterprises contribute significantly to the job and income growth. These firms in the southern African region have the same potential. Capital for start-up and expansion and related managerial and technical support have been identified as the primary constraint. USAID's experience

with enterprise funds in eastern Europe have demonstrated that capital can be made accessible to small and medium enterprises on a sustainable basis. Analysis conducted for the Southern Africa Enterprise Fund indicates that even with a moderate return on investment, the Fund can become a financially sustainable mechanism for reaching SMEs. Additionally, as the Fund will demonstrate the growth potential of SMEs in the region, the Fund will be able to leverage its resources to stimulate greater mobilization of funds for investment in this growth potential sector.

Progress in 1993-1994. SAEDF will become operational in 1995.

Donor Coordination. Since SAEDF is not expected to meet the total annual investment needs of the SME sector annually (estimated between \$800 million and \$1 billion), USAID intends to leverage its funds by encouraging other donors to participate in the fund directly or on a parallel or co-financing basis in SAEDF projects. The Government of Japan has already agreed to contribute to the fund. Other major donors to the southern Africa region include the European Union and the Nordic Countries.

Constraints. The lack of risk capital is the major constraint shared by indigenous SMEs in the region. The relatively high cost to financial institutions of working with SMEs that in many cases do not keep good financial records and may not wish to disclose their earnings to financial institutions.

SO 4. Increased efficiency, reliability, and competitiveness of regional transport and telecommunication infrastructure (\$7,970,000).

Sustainable economic growth, fueled by increased trade and investment and regional cooperation, requires efficient transport and telecommunications infrastructure. Although the physical capacity of transport and telecommunications is now in place, government monopolies through state-owned enterprises, restrictive policies, and intrusive economic regulations have lowered the efficiency of these sectors, thus discouraging investment and increasing cost, especially to small farm holders and small business operators.

Activities. Activities seek to restructure regional transport and telecommunications through policy and technical improvements which increase efficiency and encourage investment. Activities in the transport sector build upon a decade of USAID investment in the overall physical capacity of the railway corridors. Transport activities support the formulation of regional transport sector policy agenda for the Southern African Transport and Communications Commission (SATCC); analysis and promotion of harmonized transport policies to encourage competition and improve efficiency; the enhancement of SATCC's institutional capacity to conduct policy research, formulation and promotion, and the establishment of a regional transport data base. Additionally, USAID will finance the installation of a rolling stock information system which will improve the operational efficiency of rail car deployment and utilization. Efficiency gains are expected in the railway sector as well as in overall intermodal transportation. In the telecommunications area, USAID is financing activities to improve SATCC's capacity to assist southern African countries to formulate policies in support of restructuring and privatization to develop linkages between the United States and southern African telecommunications industries through an investment information clearinghouse. Both the transport and telecommunications programs will be supported by analysis and will benefit from ongoing policy dialogue with regional institutions, government and private sector.

Related Activities. A clear link exists between the development of SMEs and small holder production and the availability of reliable and efficient transportation and telecommunications infrastructure. Thus, activities in the transportation and telecommunications areas will have an impact on the achievement of strategic objectives two and three. Also related this strategic objective are the transport restructuring activities being implemented in Malawi and the telecommunications restructuring program in Tanzania with ISA funding. Activities are anticipated in other southern African countries with funding from ISA. The success of these activities will be influenced by the effectiveness of the regional program's efforts in improving the overall policy environment for improved infrastructure.

**Indicators.** Indicators to measure achievement of this objective are: (1) reduced surface transport costs on selected farm inputs and export crops; (2) improved regional railway record on meeting projected traffic demand; (3) annual net tons carried per kilometer; (4) return on invested capital; (5) increased price competitiveness with international rates (telecommunications measure); (6) increased local, regional, and international telephone call completion rates in the region (relative to international standards); and (7) efficiency gains in telecommunications dependent businesses.

**Feasibility and Cost-effectiveness.** In the transport sector, feasibility and cost-effectiveness have been assessed by the expected reasonable economic return on investment, the reduced cost of moving traffic, and the distributional aspects of benefits in terms of impact groups, such as small farmers and entrepreneurs who will face reduced costs for fertilizer and other inputs. Restructuring and privatization of the telecommunications sector is expected to lower communications cost related to the operation of business and attract greater investment in the region through a more reliable and competitive telecommunications network. By working through SATCC to strengthen a policy analysis and policy change advocacy center, USAID is ensuring regional support and African ownership of change in the telecommunication, as well as transport, sectors, which is the most effective way to overcome policy constraints. The potential savings from unified, simplified policies are substantial even when the indirect benefits to the economies of the countries involved are not considered.

**Progress in 1993-1994.** In the rail sector, institutional reforms were initiated to improve utilization of railway rolling stock and to enhance marketing. However, efficiency improvements have not yet taken hold and additional improvements are needed in locomotive maintenance and cross-border traffic connections. Flexible tariff arrangements and contract rates are being introduced to meet projected traffic demand and annual net ton per kilometer targets so that rail transportation becomes more competitive and demand responsive with road transport. The preparation of regional transport protocols began in September 1994. No progress can be reported for telecommunications since activities just began at the end of FY 1994.

**Donor Coordination.** The United States is the major donor in the transportation sector in southern Africa. In carrying out its assistance in the transport and telecommunications sector, USAID is working with SATCC which facilitates coordination among donors. USAID has participated in joint financed programs with the World Bank for structuring and privatization activities in Malawi and Mozambique. USAID also coordinates its policy and regulatory reform program with the Canadian International Development Agency which is implementing national capacity building programs to enable the rail sector to carry out needed reforms. The French aid agencies have focused assistance on institutional reform of the rail sector, while the principal German aid agency, GTZ, has provided training modules for national level road and rail operators. USAID also coordinates its design for transport projects with the Overseas Development Agency of the United Kingdom. The World Bank is the primary donor in the telecommunications field, financing restructuring activities in Tanzania and Zambia and a study of telecommunications in Zimbabwe. USAID coordinates closely with the International Finance Corporation which has goals congruent with those of USAID. The Swedish International Development Agency has been active in providing assistance in Zimbabwe, Angola, Mozambique, and Tanzania. The Japanese and French have some activities in the region but have not coordinated with the United States.

**Constraints.** The primary constraints addressed are the intrusive economic regulations and restrictive policies of the national governments in the region and the monopolistic control of the state-run railways and telecommunications agencies. These constraints have led to inefficiently-run transport and telecommunications systems and the discouragement of private investment in these sectors. The program activities address both of these constraints.

**PROTECTING THE ENVIRONMENT (\$8,195,000).**

**SO 3. Establish key regional conditions for sustainable increases of agricultural and natural resources productivity by smallholders (\$17,300,000, of which \$8,195,000 is for Protecting the Environment, and \$9,105,000 is for Promoting Economic Growth).**

Despite the diversity and richness of its natural resource base -- including large reserves of such minerals as diamonds, uranium, and oil, as well as considerable renewable resources of land, wildlife, and fisheries, and the 15% of the land base set aside as conservation areas -- southern Africa faces growing threats of food insecurity and environmental degradation. Less than 8% of the land is arable, and the remaining areas of rangeland and forests are being degraded by overstocking, overgrazing and overharvesting. More than two-thirds of the population depend on agriculture for employment and income, yet productivity and production per capita have declined in virtually all countries of the region during the period from 1979-92 in the face of a population growth rate that exceeds the growth rate for agricultural production, and recurring drought.

Activities. Activities begun under the Southern Africa Regional Program (SARP) support efforts to increase food security in drought-prone areas, and to reduce threats to the environment. In food security, the emphasis is on dissemination and utilization of technologies developed to assist small farmers raising basic food crops. In pursuit of this objective, USAID has financed activities to strengthen the capacity of regional and national agricultural research institutions, through development of regional research plans, human resources development, and improved coordination mechanisms. To protect the environment and increase rural incomes, USAID has supported community-based natural resources management initiatives which demonstrate that sustainable utilization of wildlife and indigenous plant species can be a viable alternative to traditional agriculture on marginal lands. Future activities under the ISA will support efforts to harmonize trade policies for agricultural and wildlife products in the region, improve planning for the utilization of transnational resources such as water and wildlife, and enhance the sustainability of regional agricultural research activities.

Indicators. Illustrative indicators include: (1) improved coordination of agricultural research programs on a regional basis as evidenced by prioritized plans and investments, (2) improved dissemination of technologies developed in regional programs to intended users, (3) an improved data base on the region's natural resource endowment upon which to base regional planning, and (4) appropriate institutional models developed for sustainable community-based management of natural resources.

Feasibility and Cost-effectiveness. Experience under the regional agricultural research programs for sorghum and millet, and roots and tubers has demonstrated that investments in research have achieved a high rate of economic return. The benefits of past investment in the sector will be magnified by the emphasis under the ongoing phase II programs to disseminate already proven successful technologies. Coordinating agricultural research and pilot community-based natural resources management programs on a regional basis offers a cost-effective way to bring knowledge to bear on problems that constrain increased productivity in the region.

Progress in 1993-1994. Despite the overall long-term trend of declining agricultural production per capita in the region, in 1993-94 there were a number of positive signs of progress in the sector. Governments accelerated efforts to disseminate improved varieties of sorghum and millet, with the result that over 40 of the approximately 300 varieties and hybrids developed with USAID support had been released and adopted, with 50% of the small farmers in Namibia utilizing a short-season hybrid millet that reduces risk in a region plagued by drought. Pilot programs demonstrated the economic value of sustainably managing wild animals and plants, leading an increasing number of communities to protect these income-generating resources. The capacity of both national and regional agricultural research institutions was significantly strengthened, leading to improved management of research programs. In addition, successful research in Zimbabwe on the tick-borne heartwater disease that

afflicts livestock now promises to benefit the United States, where livestock have no resistance and are threatened by the presence of the disease in some Caribbean nations.

**Donor Coordination.** Numerous bilateral and multilateral donors, as well as private and public foundations and private voluntary agencies have provided assistance to the agricultural and natural resources sector over the past ten years. USAID has been the largest bilateral donor to the sector and has played a leadership role in regional programs for food security, agricultural research, community-based natural resources management, human resources development, and institutional capacity building. Through its support to regional agricultural research institutions, and national and regional environmental planning activities, USAID also has contributed significantly to donor collaboration and improving the accountability and development impact of research investments.

**Constraints.** Recurring drought, insufficient knowledge about the resource base, lack of research on natural resource management issues from which to draw appropriate solutions, lack of linkages between research and extension, and weak coordination mechanisms among the countries of the region all complicate efforts to increase the productivity of agriculture and the natural resource base.

**INITIATIVE FOR SOUTHERN AFRICA  
FY 1996 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Total
USAID Strategic Objectives					
1. Enhance the skills, knowledge, and capacity of individuals and groups working to strengthen democratic values and processes in the region.	-	-	-	2,500,000	2,500,000
2. Increased indigenous business development and ownership.	2,400,000	-	-	-	2,400,000
3. Establish key regional conditions for sustainable increases of agricultural and natural resources productivity by smallholders.	9,105,000	-	9,195,000	-	17,300,000
4. Increased efficiency, reliability and competitiveness of regional transport and telecommunications infrastructure.	7,970,000	-	-	-	7,970,000
<b>Total</b>	<b>19,475,000</b>	<b>-</b>	<b>9,195,000</b>	<b>2,500,000</b>	<b>30,170,000</b>

USAID Mission Director: Valerie Dickson Horton

**AISIA AND NEAR EAST**

**Margaret Carpenter  
Assistant Administrator  
Bureau for Asia and the Near East**

## ASIA AND THE NEAR EAST

FY 1996 Development Assistance Fund Request	\$402,300,000
FY 1996 Economic Support Fund Request	\$2,185,530,000
FY 1996 P.L. 480 Title II Request	\$106,891,000

Two of the Administration's highest foreign policy priorities are to promote comprehensive peace in the Middle East and to strengthen trade and other relations with Asia, the most dynamic and fastest-growing region in the world. USAID's programs in Asia and the Near East are helping to support those priorities, as well as to address the global challenges that affect regional stability and economic development, such as environmental degradation, unsustainable population growth, and endemic poverty. Increasingly, conditions in Asia and the Near East directly influence American jobs, prosperity, and security. USAID assistance in the region is designed to assure that the United States has stable, responsible, and prosperous partners who share our goals of peace, open societies, and market economies.

As a vast and diverse area, Asia and the Near East present multiple challenges and opportunities to the United States in the post-Cold War period.

#### Securing Peace in the Middle East.

U.S. interests in the Middle East remain focused on the Arab-Israeli conflict, one of the most intractable problems of this century. The signing of the Declaration of Principles on the White House lawn in September 1993 marked a dramatic turning point in negotiations between the Israelis and Palestinians. In response, the United States and other donors pledged to support the peace process by "changing the realities on the ground" in the West Bank and Gaza. While providing some assistance to emerging Palestinian institutions, USAID continues to focus the bulk of its assistance on activities that provide immediate and tangible benefits to a wide range of Palestinians, from funding for civil servants' salaries to job-creation programs that also clean up neighborhoods, upgrade housing and schools, and improve water and sewer systems. USAID programs in Jordan, Lebanon, Egypt, and Morocco also reflect the role of these countries in the efforts to secure a comprehensive peace in the Middle East.

#### Building a New "Pacific Community."

U.S. interests in Asia have changed dramatically in recent years from combatting communism to building what President Clinton has called a new "Pacific Community" of shared prosperity, security, and freedom. The end of the Cold War and years of U.S. economic assistance have contributed to the rapid transformation of economies and even political systems throughout Asia. Today Asia is the most lucrative region for American exports and jobs. U.S. trade across the Pacific is half again as large as trade across the Atlantic, and U.S. exports to Asia account for about 2.5 million American jobs. The emergence of democratic institutions has helped secure the gains of many of our new trading partners.

Yet Asia is a vast and diverse region. While some countries in the region are now proud that their relations with the United States are based increasingly on trade, in others, USAID assistance remains an essential catalyst to deepen economic reform and stimulate trade expansion. Record-breaking rates of economic growth may not be sustainable in the face of exponential population growth, persistent poverty, worsening environmental conditions, and weak social infrastructure. Unattended, these problems will limit markets for U.S. products, and may contribute to regional conflicts that can only be resolved by costly international intervention.

In the last few years, USAID has supported the policy reforms necessary to create thriving economies and good trading partners. With growth and reform, USAID is now increasingly addressing the global problems in Asia that require international solutions, such as HIV/AIDS, environmental protection, and

new approaches to limiting population growth. U.S. assistance also encourages more open and effective governance and greater respect for human rights.

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

Together the Asia and Near East regions are of major -- and growing -- importance to the United States and the future of the globe. The sheer population size and economic growth rates of these areas represent both enormous potential markets for U.S. goods and services, and daunting challenges to economic development. Successes to date in reducing population growth rates and levels of poverty should not obscure the magnitude of remaining problems. The regions' human and other resources must be managed carefully to keep them from becoming liabilities. Since few countries can do so without outside assistance, USAID support is designed to help them deal with this dilemma.

The population of Asia and the Near East, already more than half the world's total, is expected to double in the next 30 years. Women in USAID-assisted countries in Asia and the Near East now average two fewer children today than their mothers 30 years ago. Yet the average 2.2% annual population growth rate still produces staggering numbers of additional people each year who need food, shelter, jobs, and social services. Growing populations also create new strains on infrastructure and the environment.

**Persistent Poverty Amid Growth and Prosperity.** Asia and the Near East account for two-thirds of the world's poor, a disproportionate burden for developing countries with limited resources. With economic growth and reform, some countries have been remarkably successful in addressing poverty. Indonesia, for instance, has reduced the percentage of people living in poverty from 60% in 1970 to less than 15% in 1990. India, with a population approaching one billion, has more poor people than all of sub-Saharan Africa. Half of the world's infant and child deaths occur in Asia and the Near East, and half of those deaths alone are in India's large pockets of poverty.

As countries in Asia and the Near East successfully lift their citizens out of poverty, they create resources for national development, and they expand potential U.S. markets. Failure to maintain this momentum, however, could threaten future economic growth in the United States, as well as the dramatic improvements made in health, education, and quality of life since the 1970s. To tackle poverty and promote economic development, countries in Asia and the Near East must continue to address high population growth rates, high infant and maternal mortality, low female literacy, and new threats such as HIV/AIDS. Several countries in these regions still have very high fertility rates. Women in Jordan and Nepal continue to have an average of five children. Yemen, Cambodia, and Laos have among the highest rates of infant and child mortality in the world. India has made great strides in basic education since its independence in 1947. Although its literacy rate has risen from 18% to 50%, population growth has created 50 million more illiterate Indians today than at independence.

**Political and Economic Diversity.** USAID faces particular challenges in helping countries in Asia and the Near East address sustainable development, in part because these regions are so diverse. Their enormous cultural, religious, economic, political, and physical differences must be factored into assistance programs. There are long-standing democracies (India, Sri Lanka, and Israel), non-democratic regimes (Laos and Burma), and nascent democracies (Bangladesh, Yemen, and Nepal). There are liberalizing monarchies (Morocco and Jordan), countries in transition to democracy (Cambodia and Mongolia), and emerging administrative authorities in Gaza and the West Bank. The area has both star economic performers (Thailand and Tunisia) and some of the world's poorest countries (Cambodia, Nepal, Yemen, Bangladesh, Burma, and Laos). It also includes countries whose economies are growing at rates of 5% per year or more (Indonesia, India, and Israel). In addition to these political and economic differences, other problems accentuate diversity in these regions and demand special attention to assure that they do not undermine the potential for sustainable development.

**Women and Development.** The generally low status of women presents another development challenge. Women in Asia and the Near East have benefited less from social and economic changes than women in any other region of the world. Failure to address women's health, education, and economic roles exacerbates the difficulty and costs of development. On the other hand, improvements in their status often bring parallel improvements in fertility rates, household income, and child mortality -- all necessary changes for sustained economic growth. Female life expectancy, normally 10% higher than for males, is only imperceptibly higher in Nepal, Pakistan, Yemen, Bangladesh, Egypt, Tunisia, and India. This dismal state is associated with many factors. Maternal mortality rates in seven countries (Bangladesh, Cambodia, India, Indonesia, Laos, Nepal, and Yemen) remain among the highest in the world. In Nepal, the maternal mortality rate is 833 women per 100,000 live births, compared with fewer than 10 per 100,000 live births in developed countries. Women also lag behind men in access to educational and economic opportunities in Asia and the Near East. The Cairo Conference on Population and Development highlighted the role of female education and employment in lowering fertility, lessons also borne out by USAID-funded projects in Bangladesh and Nepal.

**New Diseases Threaten Growth.** The HIV/AIDS epidemic poses another threat to economic and social development in the Near East and particularly in Asia. In 1993, the greatest increases in the incidence of HIV/AIDS occurred in Asia. Estimates of the cumulative numbers of HIV cases increased by 33% between June and December 1993. At the current rates, Asia may surpass Africa in cumulative number of infections by the end of the decade. Thailand and India are epicenters of an epidemic that is spreading rapidly into every country in Asia. There are approximately 600,000 cases of HIV in Thailand. HIV prevalence rates reach 70% in some high-risk groups. The World Health Organization estimates that, by the year 2000, the incidence of HIV could be over 15 million in India, one to three million in Thailand, and one to three million in Indonesia. In Thailand alone, the direct and indirect costs of the AIDS epidemic may surpass \$8 billion by the year 2000.

**The Environmental Challenge.** Economic and population growth has dramatically increased pressures on the environment in Asia and the Near East. Continued economic growth demands the more efficient and sustainable use of the region's increasingly scarce natural resources. Growing ground-water, air and other pollution problems have accompanied the rapid growth, especially in urban areas. The percentage of the region's people living in urban areas will increase to over 50% by the year 2025. Eleven of the world's 25 megacities (10 million or more inhabitants) will be in Asia and the Near East. In India alone, there will be more than 40 cities with one million or more inhabitants.

The Asia and Near East regions now produce over 40% of the total carbon dioxide emissions of developing countries and approximately 18% of worldwide emissions. Greenhouse gas emissions in India, already high, are projected to triple between 1987 and 2010, unless current practices change.

The region is also home to key global assets that must be carefully managed for sustainable development. India is an important source of global biodiversity. Twenty globally important food crops, including rice and millet, have their origins in India. Indonesia has the world's second-largest rain forest. Uncontrolled exploitation of these valuable natural resources must give way to sustainable use. In East Asia, for example, timber is being cut and forests are being converted to agricultural land at the highest rate of any tropical region in the world. The rapid loss of forest cover undermines conservation efforts and risks reducing the world's biodiversity.

#### **The Commercial Significance of Asia and the Near East.**

The human and natural resources in Asia and the Near East have helped make these two regions essential -- and potentially much greater -- markets for U.S. goods and services. U.S. trade with Asia is growing at the fastest rate of any area in the developing world, providing a strong stimulus for employment and economic growth in the United States. U.S. exports to Asia and the Near East grew by nearly 13% per year between 1985 and 1993, on average, surpassing \$113 billion in 1994. U.S. trade with reforming economies grew even faster. Continued U.S. efforts to support economic reform

and promote more open trading systems, including through regional mechanisms such as the Asia-Pacific Economic Cooperation forum, will be critical to maintaining and expanding American access to trade and investment.

Expanding economies and growing middle classes in Asia and the Near East are creating vast new opportunities for the involvement of American companies in technology and infrastructure development. These regions are growing consumers of U.S. energy and environmental technologies, which are a key to helping businesses adopt sustainable production techniques. With technical assistance from USAID, many countries in the region are opening vital sectors of their economies to private and foreign investment. In India, for instance, regulatory reform and other changes will create a market for private investment in power, telecommunications, and transport that is estimated to range from \$100 to \$200 billion in the next five years. The potential for such expansion exists throughout Asia and the Near East.

#### **The USAID Strategy for More Open Markets and Societies.**

The goal of broadly shared economic growth underpins all USAID efforts in Asia and the Near East. Such growth is essential if our partners are to sustain their development successes to date and increase their capacity to finance a greater share of development themselves. USAID programs help create enabling environments for sustainable development and greater interdependence among countries. Progress toward sustainable development minimizes debilitating domestic and regional conflicts and promotes market links with the U.S. economy.

Through support for economic policy and institutional reform, population and health services, democratic governance, and environmental policy, USAID country programs are promoting the four areas that have the greatest impact on sustainable development in the developing world. The most successful examples of development in Asia and the Near East are countries with outward-looking economies, expanding trade, increased participation by its citizens in the market place, better access to government and public policy institutions, increased investments in the quantity and quality of social services (especially health and education), and higher environmental quality standards. These countries are also more likely to engage in constructive dialogue to resolve regional conflicts and manage internal strife.

**Broad Participation in Economic Growth.** USAID's economic growth strategy emphasizes economic policy reform designed to increase access for as many people as possible to markets, jobs, and other economic opportunities. Ten of the seventeen Asia and Near East country programs have strategic objectives in this sector, and over half of all economic growth funds support education and training so that people in our partner countries can make better economic decisions. USAID is supporting microenterprise projects in one-third of the countries in Asia and the Near East in order to expand participation of poorer people, especially women, in economic growth. USAID also is committing more funds to helping women participate in the labor force, in part by educating women and girls.

**Policy and Institutional Reform.** USAID programs continue to support policy and institutional reform. For example, USAID technical assistance is helping mobilize and broaden access to domestic capital markets. Such markets generate capital and create systems for financing new, small businesses and low-income housing. They help state-run institutions to privatize, and they facilitate the greater use of clean, power-generating technologies. These activities are drawing more people into the economic growth process as producers and consumers. In turn, broad-based economic growth further stimulates the demand for open governments and open markets.

**Population, Health and Nutrition.** Building capacity to address population, health, and nutrition problems is another key aspect of sustainable development. All but two USAID country programs in Asia and Near East have strategic objectives in population, health and nutrition. Resources will continue to be concentrated in countries that contribute significantly to global population and health

problems, as well as in countries where these problems impede sustainable development. Family planning programs that have been enormously successful in reaching large numbers of people to date will be refined to serve established clients better, as well as hard-to-reach groups. USAID investments will focus on improving and integrating family planning services and on ensuring institutional and financial sustainability. In addition, regional initiatives will target slowing the rapid spread of the HIV/AIDS epidemic across national borders.

USAID also is paying more attention to the broad policy and institutional environments in which population and health programs operate. The policy dialogue includes financing and better allocation of resources for preventive care and private provision of services. Successful policy reform often requires decentralizing resource control and encouraging private service delivery.

**Environment.** USAID's strategy for protecting the environment has two objectives. The first, reducing greenhouse gas emissions and preserving biodiversity, addresses U.S. global interests. The second, addressing economic and environmental practices that impede sustainable development, helps partner countries and local communities strike a balance between economic growth and environmental conservation.

Environmental problems in the Asia and Near East area are diverse and of immense magnitude. Seven USAID country programs in the region have primary strategic objectives in environment, while others have integrated environmental activities into programs in health, democracy and economic growth. For example, policy and economic reform activities address the pricing and management of land, forest, water, and energy resources. With scarce water in the Near East, USAID has developed programs to change water usage and resolve conflicts over water use.

Asia must meet enormous demands for energy while addressing problems associated with urban water and waste, and environmental degradation. USAID, therefore, has developed programs for this region that support the transfer of cleaner, more efficient technologies and the development of pollution control and prevention systems.

**Democracy and Governance.** Given the wide range of political systems found in Asia and the Near East, USAID programming in nurturing democratic practices and institutions is necessarily varied. All of the programs, however, promote pluralism in societies and transparency and accountability in governments. They build upon worldwide trends towards the adoption of democratic practices and the recognition of universal human rights. Eight USAID country programs in the area have strategic objectives supporting democracy and governance. Objectives range from increasing civic participation, to organizing free and fair elections, and improving judicial and legal systems and access to them. Nongovernmental human rights and advocacy organizations play a critical role in USAID democracy programs.

**Humanitarian and Disaster Assistance.** USAID's non-emergency food aid strategy supports both sustainable development and humanitarian objectives. The provision of food aid is an integral part of several USAID country programs. In most cases, it provides supplemental nutrition to improve maternal and child health and, in some cases, keeps children in school longer. Vulnerable groups who cannot yet fully participate in growing economies are the primary beneficiaries of these resources. Finally, disasters, such as floods in Bangladesh and volcanic eruptions in the Philippines, will continue, and USAID will provide appropriate relief.

#### **Achieving Results**

USAID aims to achieve a wide distribution of benefits that are sustainable and also serve the U.S. national interest. Given the diminishing level of U.S. assistance, USAID actively solicits the participation of other donors and partners to contribute additional resources. The following examples cover the range of investments in USAID's four sustainable development strategies.

**Encouraging Broad Based Economic Growth:**

- In Egypt, USAID-supported sectoral policy reforms to liberalize acreage and price controls on many crops have benefited many of the country's small producers and have increased food supplies for consumers. Between 1986 and 1992, the production of wheat rose by 65%, rice by 58%, sorghum by 59% and corn by 35%.
- In Indonesia, USAID support instituted a profitable village-level credit system for small entrepreneurs. By the end of 1992, the system loaned over \$900 million to over 3 million borrowers. Over 50% of the borrowers are women. Nearly \$1.8 billion had been deposited by over 11 million people. Market rates of interest are charged and the system now operates without USAID assistance. The project's success prompted the World Bank to extend the concepts and techniques to other parts of Indonesia.
- In Bangladesh, USAID-supported policy and institutional changes to privatize the import and distribution of fertilizer created over 110,000 jobs, increased food grain production, and lowered consumer food prices. Many poor people benefited directly as their main food source remains grain. These changes were critical to Bangladesh achieving rice self-sufficiency.
- In Sri Lanka, USAID assistance to its fledgling capital market has brought in nearly 20,000 new investors and enabled the privatization of a number of enterprises, creating nearly 10,000 new business owners and many new jobs.
- In India, USAID is helping the Indian government and states evaluate and process foreign private power investment proposals. Over \$5.5 billion in potential U.S. investments for cleaner, more efficient power production have been identified by this assistance.
- In Nepal, assistance to develop markets and for the transfer of new seeds resulted in one disadvantaged region experiencing 30% per year growth in high value horticultural crops. In 1993, nearly 3,000 small farm families were benefiting from new activities.
- In Sri Lanka, USAID helped a local nongovernmental organization provide business services to small women-owned enterprises. By 1993, all of the over 2,000 women increased their incomes and many held loans from commercial banks.
- In India, USAID helped develop the country's housing finance system. In 1979, one company provided \$2 million of housing loans. By 1992, over 270 private companies provided nearly \$500 million dollars in loans through over 300 offices. More than 50% of all the beneficiaries have been households below the median-income level. A quarter of all borrowers were low-income families.

**Stabilizing Population Growth:**

- In Morocco, Egypt, India, Bangladesh and the Philippines, the use of contraceptives had surpassed 40% for married women. Even more impressive gains have been made in Thailand, Sri Lanka and Indonesia, where use has surpassed 50%. In Indonesia, each dollar spent on family planning will result in \$12.50 of savings in public expenditure for health and education.
- In Egypt, USAID support helped reduce infant mortality from 121 infants per 1,000 live births in 1980 to 57 per 1,000 in 1990, a drop of nearly 53%. Similar improvements were made between 1980 and 1990 in Morocco (42%), Nepal (30%), Bangladesh (31%), and the Philippines (31%).

**Protecting the Environment:**

- In Asia, USAID has established a mechanism, the United States-Asia Environmental Partnership (USAEP), that promotes partnerships between U.S. and developing country private companies, governments and nongovernmental organizations to transfer environmental technologies and practices. Based on market principles, this mechanism has already helped position U.S. environmental technologies for export to ten countries. The potential value amounts to over \$400 million through sales, joint ventures and licenses. Prospects for additional technology transfer range upwards of \$5 billion over the next five years.
- In Indonesia, USAID's successful support for integrated pest management resulted in small farmers needing 50% less pesticide while rice production increased by 12%. Government pesticide subsidies dropped by \$120 million per year. This \$7 million program's success leveraged another \$35 million of World Bank funds to expand the program to other parts of Indonesia.
- In Tunisia, Morocco, Jordan, and Egypt, USAID is extending technologies to reduce pollutants from industries. In one company alone, USAID's program helped reduce lead pollution by 60% and reduce production costs by more than \$500,000 per year.
- In Egypt, USAID investments in waste-water treatment facilities in Cairo tripled capacity from 200,000 to 650,000 cubic meters per day. The plant now produces potable water and provides services for some of the poorest and most densely populated areas of central Cairo. Three million people receive more and cleaner water as a result of the project.
- In nine Asia and Near East countries, including Nepal and Indonesia, USAID is working with nongovernmental organizations and local communities to help them better manage or participate in the management of their forests, national park and reserves (e.g. the sustainable cutting of timber and the development of ecotourism activities).
- In India, USAID has helped establish a gene bank to collect and store up to 600,000 germ plasm species of tropical crops. Countries from all over the world are already getting samples from this global resource. USAID is now working with India to expand the gene bank's capacity and undertake collaborative research of mutual Indo-U.S. interest.

**Building Democracy:**

- Prior to the Cambodian elections, USAID supported American nongovernmental organizations (NGOs) to provide training of the leadership and staff of Cambodia's 20 political parties in 17 of 21 provinces. Election monitoring training was held despite Khmer Rouge and other intimidation which had forced earlier United Nations Transitional Authority in Cambodia (UNTAC) to abandon its own training plans. The American NGOs provided further training after the elections on the functions of political parties in a legislature for 50 of the 120 members of the new National Assembly.
- In Bangladesh, USAID supported a series of successful local elections since the early 1990s and a free and fair national election in 1991, resulting in the first peaceful transfer of national leadership in that country's history.
- In Nepal, USAID supported the country's first multi-party elections in 32 years in May 1991 by supporting various local groups' work in voter education and election monitoring. In addition, USAID funded International Foundation for Electoral Systems' participation in the election observation teams.

- Regional activities to increase the involvement of women in political and judicial processes are supported by USAID. Women from across the region formed the Asia-Pacific Women in Politics Network in 1993, co-funded by The Asia Foundation and USAID. While only in its infancy, this network has allowed dynamic but isolated Asian and Pacific women political leaders to network, learn from each other and innovate further in their home country.

#### Providing Humanitarian Assistance:

- In the Philippines, USAID provided the equipment and expertise to predict the eruption of Mt. Pinatubo in 1991. As a result of advance planning, 80,000 people and \$1 billion in U.S. and Filipino assets were saved.
- In Cambodia, USAID assistance successfully repatriated 360,000 refugees to Cambodia from Thailand. Assistance was provided to de-mine rural secondary roads in order to facilitate refugee repatriation and to open and integrate rural areas into the national economy. Some \$22 million was channeled through refugee repatriation programs of the United Nations and the International Committee of the Red Cross. The program also furnished humanitarian assistance to vulnerable groups -- children, flood and drought victims, widows, orphans, and the disabled. The effort supported civilian elements of the non-communists to enable them to provide health, community development and food assistance to civilians in areas of Cambodia under their control.
- In India, USAID and its American partners are sponsoring the largest food aid program in the world. One of these activities reaches over eight million high-risk children and pregnant and lactating mothers annually. According to a recent evaluation, USAID assistance in this project is associated with a 21% reduction in the percentage of low birth weight babies; a 39% reduction in the percentage of severely malnourished children between three and six years old, and a 61% reduction in severely malnourished children under three in the project area.

#### Management and Programming Challenges.

The Asia and Near East area constitutes a supportive environment for the effective use of USAID resources. While some countries remain desperately poor, most can report progress; a number have achieved outstanding successes. USAID must now build upon the progress throughout Asia and the Near East as it refines bilateral relationships in a post-Cold War era. These relationships will be based on political and economic partnerships. Political partnerships promote regional peace, economic growth and greater regional interdependence. Economic partnerships promote U.S.-developing country trade and technology transfers and support U.S. geopolitical goals.

Resource allocations respond to both U.S. national interests and the development performance of the specific country and USAID's country program. In general, USAID has been devoting fewer resources to Asia and Near East countries, with the exception of Egypt, Israel, and West Bank and Gaza. USAID has phased out selected activities and country programs. Six country missions have closed or will be closing: Afghanistan, Pakistan, South Pacific Regional, Oman, Thailand (bilateral programs only), and Tunisia. USAID's overall in-country presence has been reduced. Reductions will continue insofar as countries experience economic growth and acquire the financial and technical capacity to manage their own development with reduced, more specialized donor inputs.

#### Donor Coordination.

USAID missions are working to ensure that diminishing U.S. resources leverage other bilateral and multilateral donor resources. While USAID actively seeks coordination with other donors, the success of these efforts depends on the commitment of each of the partners. Often, other donors contribute

resources to a program or project after USAID and host country development partners have demonstrated its effectiveness. USAID has recently entered into one of the most progressive donor coordination efforts to date: the Common Agenda with the Government of Japan. Begun in 1994, a part of the Common Agenda establishes a framework for USAID and Japan to jointly identify and implement activities that build on the comparative abilities of each.

#### U.S. Leadership Role.

USAID continues to advance innovative ideas and technologies that can have a development impact within five to eight years. Other donors and governments often look to USAID for ideas and experiences in the areas of economic policy, family planning, and health that can improve the performance of their programs and economies. This is particularly true in countries where USAID has had a long involvement in enhancing the country's own capacity to formulate policies and reform programs. Developing countries also are asking increasingly for USAID assistance to tap into the U.S. environmental experiences and technologies.

In recent years, USAID has been supplying U.S. experience and ideas on how to mobilize private capital markets in our partner countries. Better functioning domestic financial markets can provide more capital for development than all donors combined will ever be able to do. Strong financial markets are an important step, as Asia and Near East countries must shoulder an increasing share of the cost of financing development. The billions of dollars being organized for the construction of power plants in India will make a critical contribution to the country's continued economic growth and creation of new jobs. The development of national and local financial markets also contributes to the greater participation of people below the median income. Results from USAID private sector activities in Indonesia, India and Sri Lanka indicate that lower-income people can save more and borrow responsibly.

USAID's involvement in the transfer of ideas and technologies is also important. Transfers of ideas are low-cost, high development-impact interventions when compared to large infrastructure projects. USAID assistance also helps maintain U.S. influence, even though fewer U.S. development resources are being devoted to the region. Indeed, USAID now provides less than 8% of total development assistance in nearly every country it assists. Even in Egypt, USAID resources account for only 20% of total development resource inflows. USAID provides an even lower percentage of total development assistance in countries where it has no staff presence.

#### External Debt.

External debt to the United States is a major USAID management challenge in four countries in the Asia and Near East area. Israel and Egypt have \$3.5 billion and \$5.9 billion, respectively, of debt outstanding to the United States, most of it related to military loan programs. Jordan currently has \$400 million of debt outstanding to the United States. Another \$200 million of Jordan's debt was forgiven as part of a multi-national debt forgiveness and rescheduling effort conducted in 1994. Because of Jordan's importance to the Middle East Peace process, an additional request for debt forgiveness is contained in the FY 1995 supplemental request. Other countries with debts owed the United States include Bangladesh (\$1.1 billion in P.L. 480 Title I debt), Cambodia (\$211 million) and Vietnam, \$109 million).

#### Country Performance.

Countries can be grouped by overall economic and social performance. Experience indicates, however, that rigid categorizations can be problematic. Korea is a former USAID partner once categorized as a poor performer. India, Bangladesh, Thailand, the Philippines and Indonesia also have defied early predictions of slow economic reform and growth. In predicting performance, USAID uses multiple

indicators, such as the United Nations Human Development Index, complemented by current information and more detailed assessments derived from USAID's in-country presence.

The countries included in the following groups are those in which USAID is implementing sustainable development programs and has an in-country presence. Israel is not included in the groups, nor are USAID's most recent graduates, Tunisia, Thailand and Oman, since bilateral assistance to these three countries is ending.

The first group includes the following countries which have made significant strides in more than one key area: Jordan, the Philippines, Morocco, and Indonesia. With relatively strong performances, USAID bilateral relationships and levels of in-country presence in these countries will change in the foreseeable future. The United States assists countries for different reasons and any changes in the USAID relationship must be based and paced according to those reasons. The eventual form of the USAID-partner country relationship will be more narrowly defined on the basis of U.S. interests and specific development opportunities. Protecting global biodiversity, limiting cross-border HIV transmission, and supporting regional peace initiatives are several examples of possible continued involvement.

The second group of countries consists of good development partners who are making progress in key areas: India, Bangladesh, Sri Lanka, and Egypt. They are benefiting from USAID resources, but it will some time before they may be able to finance the bulk of development's costs themselves. The third grouping consists of countries whose development prospects must be considered very long term as they are among the poorest in the world. Nepal and Yemen fall into this grouping.

The third group consists of countries in the midst of major transitions. The fluidity and uncertainty of their situations require special consideration. This group includes Cambodia, Mongolia, Lebanon, and the areas of West Bank and Gaza administered by the Palestine Authority. These countries will be moved to other groupings when their internal situations stabilize.

#### Program Concentration.

The total development assistance requested for Asia and the Near East is \$402,300,000. Economic growth activities account for \$101,800,000, or 27% of the total. In this sustainable development area, basic education, HIV/AIDS, and nutrition programs will receive \$49,900,000, or one-half the economic growth total. These priorities reflect the general worldwide agreement reached at the 1994 Cairo Conference on what is needed to help females participate more fully in development. Each of these activities focuses on assisting women and girls. Population and related health activities require \$170,500,000 (40%). Environmental programs account for \$89,200,000 (22%). USAID democracy and governance programs total \$40,700,000 (11%).

P.L. 480 Title II food aid proposed for India, Bangladesh, the Philippines and Indonesia totals \$106,891,000.

Economic Support Funds are requested at \$2,186,000,000. In addition to support for Israel and Egypt, ESF will support development activities in two countries in transition (Cambodia and Mongolia), regional democracy activities in East and Southeast Asia, and programs in Jordan, Lebanon, West Bank and Gaza and Middle East regional directly linked to the Middle East peace process.

## BANGLADESH

<b>FY 1996 Development Assistance Fund Request:</b> . . . . .	<b>\$ 61,232,000</b>
<b>FY 1996 P.L. 480 Title II Request:</b> . . . . .	<b>\$ 16,560,000</b>

U.S. assistance helps the world's most densely populated country avoid excessive population growth and ensure food availability. These, and other successful U.S. programs intended to help Bangladesh achieve sustainable development through timely and preventive actions, serve to prevent refugee flows, environmental damage, and other spillover effects that would adversely affect United States interests and resources.

The United States is the lead donor in Bangladesh's successful but incomplete family planning program. On average, Bangladeshi women will now have 27 great grandchildren instead of 216. However, Bangladesh's population will eventually still exceed that of the United States, in an area the size of Wisconsin. The United States has been instrumental, with high yielding varieties of rice and fertilizer distribution programs, in helping Bangladesh achieve virtual self-sufficiency in rice. Continued support to programs which balance food production with increasing mouths to feed in the world's most densely populated nation prevents regional and global pressures that would result in difficult and costly issues for the United States.

The United States is also interested in strengthening the growth of market-oriented democracies. Increasing incomes for Bangladesh's large population expands opportunities for U.S. goods, services, and investments. Accordingly, U.S. assistance (5.23% of total aid inflows) promotes accelerated economic growth which is market-based and broadly shared within a free, pluralistic and democratic society. Bangladesh also provides troops in international peacekeeping activities of importance to the U.S.

#### The Development Challenge.

With 830 people per square kilometer, Bangladesh is the world's most densely populated country, which places extreme pressure on the country's resources. As a result, approximately one-half of the population lives in poverty on an annual per capita income of \$220; approximately 30% of these people live in abject poverty. Malnutrition in Bangladesh is high--among the highest in the world for children under five years old--and infant mortality is above the average for low income countries. Male and female life expectancies in Bangladesh are also substantially below the average for low income countries.

With U.S. assistance, Bangladesh is successfully confronting many of its key developmental challenges. Since 1987, the total fertility rate declined by 28%, to four children per woman. Vaccination rates for children and women of reproductive age have increased. Virtual self-sufficiency in rice production has been achieved. The government budget now funds 33% of the country's development projects (up from 9% in 1990), and an increasing proportion of development resources is directed to basic human services including health, family planning and education. Free and fair elections at the national level were held in 1991 and, subsequently, many times at the local level. However, the political opposition has led demonstrations aimed at forcing the Prime Minister to step down, and the opposition members of the Parliament began a parliamentary boycott on December 28, 1994. U.S. assistance has been particularly important in helping to achieve Bangladesh's fertility decline and rice self-sufficiency successes.

U.S. assistance to Bangladesh focuses on reducing population growth, infant and child mortality, and food insecurity for the poor; and on encouraging responsive, representative government.

**Strategic Objectives (SOs).**

USAID is pursuing eight strategic objectives in Bangladesh which address four of the Agency's integrated goals for sustainable development, along with the provision of humanitarian food assistance.

**STABILIZING WORLD POPULATION GROWTH (\$38,177,000).****SO 1. Use of modern contraceptives by eligible couples increased (\$25,816,000).**

Increased modern contraceptive use is the most effective means to reduce fertility. USAID programs in Bangladesh have demonstrated that sustained support for family planning information and services can contribute to measurable reductions in fertility despite low economic and social indicators.

Activities. USAID activities focus on: (1) increasing access to family planning services through the private sector; (2) improving the quality of services available; and (3) supporting communication programs which encourage smaller families and better health practices.

Related Activities. USAID's family planning activities are complemented by those which expand micro-enterprise and wage-employment opportunities for women under SO 6 and promote the use of high impact maternal and child health interventions under SO 2. USAID also targets increased use of condoms by groups at high risk from sexually transmitted diseases, including the human immunodeficiency virus and the acquired immunodeficiency syndrome.

Indicators. The following indicators and targets will measure achievement of this objective: (1) overall contraceptive method use rate among married women of reproductive age increased from 29.8% in 1986 to 50% in 1997; (2) modern contraceptive method use rate among married women of reproductive age increased from 22.9% in 1986 to 42% in 1997; (3) reliance upon clinical methods of family planning increased from 36% in 1991 to 42% in 1997; and (4) percentage of national distribution of condoms sold by the Social Marketing Company increased from 60% in 1988 to 75% in 1997; and distribution of contraceptive pills increased from 21% in 1988 to 25% in 1997.

Feasibility and Cost-effectiveness. Contraceptive use (all methods) is now at 45%, hence, accomplishment of this objective is quite feasible, and its achievement will lead to substantial savings for the government. It has been estimated that social expenditures will be reduced by \$12.5 billion if the total fertility rate is reduced from 4.0 to 2.2 between 1993 and 2020.

Progress in 1993-1994. The estimated total fertility rate for 1994 is four children per woman, down from 5.6 in 1987. Current estimates for the total contraceptive prevalence rate (CPR) and the CPR for modern methods are 45% and 37%, respectively, up from 40% and 31%, respectively in 1991. Sales of condoms by the Social Marketing Company amounted to 68% of national distribution; sales of pills were 18%.

Donor Coordination. USAID is the largest bilateral donor supporting family planning activities in Bangladesh. USAID assistance complements that of the World Bank consortium (which includes the Canadian International Development Agency, the British Overseas Development Administration, and the Norwegian Agency for Development Cooperation, among others) and with the United Nations Population Fund (UNFPA). This consortium works primarily with public sector programs, while USAID focuses on private sector service delivery, technical assistance, training, and research.

Constraints. The primary constraints to a more effective national family planning program include poor performance of the public sector activities and a lack of adequate public financing.

**SO 2. Use of high impact maternal and child health services increased (\$2,750,000).**

USAID focuses on improving the health and survival of infants and children by increasing the availability of key child survival and maternal health services, including child spacing, through support to the public, nonprofit, and commercial sectors.

**Activities.** USAID supports activities to: (1) vaccinate urban children under one against six vaccine preventable diseases; (2) expand and improve nongovernmental maternal and child health (MCH) services provided by nongovernmental organizations (NGOs); and (3) expand the private sale of oral rehydration salts (ORS) packets, which has proven effective in preventing infant and child deaths from diarrheal diseases, through the Social Marketing Company (SMC).

**Indicators.** Achievement of this objective will be measured by the following indicators and targets: (1) infant mortality rate reduced from 128 per 1,000 live births in 1986 to 83 in 1997; (2) child (under five) mortality rate reduced from 168 per 1,000 children surviving to 59 months of age in 1986 to 120 in 1997; (3) percentage of urban children under one year of age fully vaccinated increased from 5% in 1987 to 85% in 1997; (4) percentage of urban women (age 15-49) fully vaccinated against tetanus increased from 5% in 1987 to 85% in 1997; and (5) sales of ORS packets by the Social Marketing Company increased from four million in 1987 to 35 million in 1997 (i.e., 90% of commercial sales).

**Feasibility and Cost-effectiveness.** Infant and child mortality has been significantly reduced in Bangladesh. Achievement of this objective, therefore, is to be expected.

**Progress in 1993-1994.** Over the seven-year period between 1987 and 1994, the infant mortality rate dropped by 30% to 90 deaths per 1,000; the child mortality rate fell by 21% to 132 deaths per 1,000; the percentage of urban children under one fully vaccinated increased from 5% to 75%; the percentage of urban women fully vaccinated against tetanus increased from 5% to 82%; and sales of ORS packets by the Social Marketing Company amounted to 85% of national distribution.

**Donor Coordination.** USAID and the United Nations Children's Fund (UNICEF) are the two largest donors in this field. USAID concentrates on urban vaccinations and sales of ORS packets delivered through the private sector and coordinates activities with the World Bank consortium. UNICEF concentrates its MCH activities in rural areas.

**Constraints.** The primary constraint to increased use of high impact MCH services is inadequate coordination of family planning and health services within the public sector and between the public and NGO sectors at the national and local levels.

**SO 3. Institutional, programmatic, and financial sustainability of family planning and maternal and child health programs enhanced (\$9,611,000).**

The long-term future of family planning service delivery depends upon sufficient financing and institutional capabilities. Accordingly, increased emphasis is being paid to such issues as cost effectiveness, efficiency of management systems and services, decreasing dependence on donors for recurrent cost financing, and user fees.

**Activities.** USAID supports activities that: (1) improve the efficiency of organizations that provide family planning and MCH services; (2) find ways for providers and program managers to become less dependent on donor financial and technical assistance; (3) improve the institutional capabilities of service delivery organizations; and (4) enhance the capability of indigenous organizations to design, conduct and apply operations research.

**Indicators.** The following indicators will measure achievement of this objective: (1) Percent of overall recurrent costs of the family planning program funded by donors reduced from 73% in 1990 to 65%

in 1997; (2) Percentage of operating costs of the Social Marketing Company covered by sales income increased from 15% in 1993 to 25% in 1995; and (3) costs per couple year of contraceptive protection reduced.

Feasibility and Cost-effectiveness. Donors currently provide over 70% of program costs. Hence, it is increasingly important to focus program resources on issues of cost-effectiveness, improved efficiency, and activities which increase the ability of families to finance family planning services.

Progress in 1993-1994. The Social Marketing Company increased the percentage of operating costs covered by sales proceeds from 15% to 18%. In addition, research on the costs of the national family planning program and alternate service delivery systems has been conducted.

Donor Coordination. As with other population strategic objectives, USAID works closely with the World Bank consortium and UNFPA to coordinate activities.

Constraints. Household incomes for the majority of Bangladeshis are too low to permit them to bear the full cost of family planning and health services.

#### ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$17,297,000).

SO 4. Diets of the poor nutritionally enhanced. (\$8,450,000 which includes \$3,700,000 from Development Assistance; and \$4,750,000 from P.L. 480 Title II Humanitarian Assistance).

Consumption by the poor of fish, oil, pulses and vegetables high in betacarotene and other essential micronutrients is low due to lack of availability (e.g., low production of dark green leafy vegetables) and accessibility by poor households (e.g., foodgrain purchases preclude purchases of other items).

Activities. USAID supports activities in two areas: (1) increasing the production and consumption of micronutrient and protein rich foods by poor households; and (2) increasing the effectiveness of targeted food programs.

Indicators. The following indicators will be used to measure achievement of this objective: (1) Wasting (low weight for height) for children aged 6 to 59 months reduced; (2) Night blindness among children 24 to 71 months reduced; (3) Numbers of poor women and poor households overall producing fish and vegetables increased; and (4) Percentage of public food distribution system going to effectively targeted programs increased.

Feasibility and Cost-effectiveness. Recent efforts to introduce low-cost fish farming and homestead gardening through nongovernmental organizations have been extremely successful, and there has been strong interest in expanding these programs.

Progress in 1993-1994. Effective food aid programs, including P.L. 480 Title III programmed through FY 1994, plus food policy reforms, have better targeted public food towards the poor. Over the past several years, homestead production and consumption of fish and vegetables by poor women has increased. Between 1992 and 1993, monthly food expenditures for rural households increased by 20%.

Donor Coordination. USAID is a leading member of the Strengthening Institutions for Food Aid Development (SIFAD), which is a multi-donor and host government task force that works to improve the effectiveness, efficiency and developmental impact of non-emergency food aid.

Constraints. While the technologies for low-cost fish farming and homestead gardening are well known in some areas of Bangladesh, there is not as yet an adequate nationwide system to transfer these technologies to poor households.

**SO 5. Agricultural productivity per hectare increased (\$18,857,000 which includes \$7,047,000 from Development Assistance for Economic Growth; and \$11,810,000 from P.L. 480 Title II Humanitarian Assistance).**

Because all available agricultural land is currently under production, productivity per hectare must be increased if Bangladesh is to continue to feed itself. Productivity per hectare can be improved through increased use of inputs (e.g., fertilizer, water pumps), introduction of new technologies (e.g., improved seeds) and increased access to markets and market information (e.g., through improved roads, electrification, and changes in policies).

**Activities.** USAID supports activities that: (1) promote the use of technologies which enhance productivity and are environmentally sound; (2) change government policies to increase farmers' access to markets; and (3) improve rural market roads and electricity distribution systems.

**Indicators.** Achievement of this objective will be measured by the following indicators and targets: (1) Real value added in agriculture increased 33% between 1990 and 1997; (2) Number of farmers using more productive technologies increased from 50,000 in 1994 to 1,200,000 in 2000; (3) Tonnage of fertilizer and improved seed marketed in Bangladesh increased; (4) Use of electricity for irrigation increased from 32,000 pumps in 1993 to 58,000 pumps in 2000; (5) 10,000 kilometers of environmentally sound market roads added to rural road network by 1997.

**Feasibility and Cost-effectiveness.** Bangladesh's rice production has outpaced population growth since the mid-1980s; however, yields per hectare have remained flat and below yields achieved by farmers in other countries who have adopted newer technologies for similar crops. The technology package used by most Bangladeshi farmers is more than 20 years old; and it has been overtaken by better, more productive technologies including alternate cultivation practices, higher yielding seed varieties, more sustainable irrigation techniques, and integrated pest management techniques which, elsewhere, have contributed to increased productivity. In addition, Bangladeshi farmers have been slow to adopt alternate, higher value crops which also contribute to increased agricultural productivity.

**Progress in 1993-1994.** Value added in agriculture increased by 7% over 1990-91. The number of electricity driven irrigation pumps increased by about 4,000. Activities to promote more productive and environmentally sound agricultural technologies and expansion of the rural road network begin in 1995.

**Donor Coordination.** | The United Nations Development Programme (UNDP), and the United Nations Food and Agriculture Organization (FAO), all multilateral development banks and almost all bilateral donors are involved in some aspect of agricultural productivity. These efforts are coordinated through frequent informal discussions of issues and activities.

**Constraints.** Farmers' access to newer, more productive agricultural technologies are constrained by a variety of factors including: (a) government controls over the production and distribution of agricultural inputs, which have been reduced but not eliminated; and (b) the limited knowledge farmers have about alternate technologies.

**SO 6: Real household income increased (\$7,697,000 which includes \$6,550,000 for Economic Growth and \$1,147,000 for Protecting the Environment).**

Increased real incomes enable poor households to increase consumption and savings and invest more in health, family planning and education. For the foreseeable future, the majority of the Bangladeshi work force will earn its income from agriculture, where incomes can be raised through increasing agricultural productivity. Expanding non-farm employment opportunities, particularly through micro- and small businesses development, also contributes to increased household incomes in rural areas.

**Activities.** USAID focuses on: (1) an enabling environment within which small and micro-entrepreneurs can operate profitably; (2) improved business efficiencies through skills training, introduction of better technologies, and non-traditional credit availability; and (3) improved levels of disaster preparedness to mitigate the amount of property and related income loss caused by disasters.

**Related Activities.** Unregulated industrial growth has contributed to environmental problems. USAID will selectively contribute technical assistance to mitigate such problems. Similarly, full economic participation by women is constrained by socio-cultural factors which USAID will address through leveraged interventions such as the provision of legal or mediation services.

**Indicators.** The following indicators and targets will measure achievement of this objective: (1) real household income of \$757 (at 1985 prices) in 1989 increased; (2) number of loans through USAID projects increased from 19,000 in 1992 to 59,000 by 1997; (3) private investment in GDP increased from 5.8% in 1990-91 to 12.3% in 2000; and (4) employment in agricultural and industrial sectors increased.

**Feasibility and Cost-effectiveness.** USAID experience has demonstrated that poor Bangladeshis are anxious to learn new skills and work hard to increase their incomes if given the opportunities. Increasing household income by improving the efficiency and productivity of Bangladeshi small enterprises and workers themselves has proven to be a sustainable approach to this objective.

**Progress in 1993-1994.** Between 1992 and 1993, poor rural households enjoyed an increase in non-land asset ownership, reflecting an increase in income available for non-food purchases. USAID involvement in the emergence of private fertilizer and rice markets has generated an estimated 110,000 and 90,000 jobs, respectively. USAID loans to poor women result in daily incomes of 30% to 300% above the daily rate for agricultural labor. The bankruptcy act was revised; procedures for registering foreign investments were simplified; and export controls reduced. Activities related to disaster preparedness began in 1995.

**Donor Coordination.** USAID resources are joined with those of the World Bank to support reforms in the financial and industrial sectors, with those of the Asian Development Bank to support market reforms in the agricultural sector, and with those of the UNDP and British Overseas Development Administration (ODA) to support administrative reform.

**Constraints.** Natural disasters (primarily floods and cyclones), which hit Bangladesh an average of every 18 months, interrupt productive activities and, therefore, reduce incomes. Rapid population growth limits per capita investment in human resources and increases the surplus of untrained labor. Income-generating opportunities must be created more rapidly than the rapid growth rate of the labor force if average household incomes are to be increased.

#### **BUILDING DEMOCRACY (\$4,611,000).**

##### **SO 7. Citizen access to public policy information increased (\$1,940,000).**

For a democracy to be responsive, citizens must be involved and informed. Media coverage of public policy issues, the strength of issue-oriented advocacy groups need to be improved, and political campaigns need to be issue driven.

**Activities.** USAID funds activities to: (1) improve policy analysis and disseminate the results of the analyses by civil society organizations; (2) increase the depth and breadth of public policy and government performance reporting by print journalists; and (3) increase the issue oriented content of campaigns.

**Indicators.** The following indicators will measure achievement of this objective: (1) Percentage of

voters who describe themselves as well-informed on election issues increased; (2) Publications of select civil society organizations (CSOs) distributed to a larger audience; and (3) Public policy content of select newspapers and newsweeklies increased.

**Feasibility and Cost-effectiveness.** Despite relatively low literacy rates, there are a large number of newspapers and news weeklies in circulation in Bangladesh which are read by, or to, a large portion of the general population. A small number of CSOs focused on issues of public policy such as election administration, environment, human rights and family planning have also begun to emerge. Achieving this strategic objective, therefore, is quite feasible.

**Progress in 1993-1994.** Voter education programs will begin in 1995. However, CSOs researched and sponsored four workshops attended by the public and members of parliament on such topics as effectiveness of parliamentary committees, the budget process and the importance of an independent judiciary. Approximately 300 practicing journalists received training and the quality of press coverage of public policy issues is broadly recognized as improved.

**Donor Coordination.** USAID is the primary donor working in the area of citizen access to public policy information. Its work is carried out through collaboration with The Asia Foundation.

**Constraints.** Although print media are relatively free to operate in Bangladesh, their independence is somewhat compromised by the government's control of newsprint supplies. CSOs are also relatively free to operate, although some have encountered opposition from more conservative groups in the society.

**SO 8.** Citizen participation in processes for achieving public policies increased. (1\$2,671,000).

USAID works to strengthen those institutions which enable citizens to become involved in government decision making. It focuses on public policy implementation rather than formulation to ensure that government is responsive and citizens track the performance of elected officials.

**Activities.** USAID supports activities which: (1) increase voters' and candidates' confidence in the freedom and fairness of elections and (2) strengthen the policy development and oversight capacity of elected bodies.

**Indicators.** Achievement of this objective will be measured by the following indicators: (1) number of calls on members of elected bodies by civil society organizations (CSOs) or NGOs increased; (2) quality of elections as assessed by election monitors increased; (3) number of election protests filed by candidates decreased; and (4) ratio of private to government bills introduced in Parliament increased.

**Feasibility and Cost-effectiveness.** There are two levels of elected government in Bangladesh: the national Parliament; and approximately 4,000 local councils, each of which represents about 15,000 voters. The institutions which need to be strengthened are in place, therefore, making achievement of this objective feasible.

**Progress in 1993-1994.** A system of voter identification cards and automated voter registration lists were piloted successfully by the Election Commission, leading to the government's decision to replicate the system nationwide. Elections for four cities and one parliamentary by-election were effectively monitored by local CSOs and were broadly recognized as free and fair. Five bills drafted by CSOs were debated in Parliament; two were passed.

**Donor Coordination.** USAID is the primary source of technical assistance to the Election Commission and Parliament. Norway has provided commodity assistance, particularly vehicles, to the Election Commission.

**Constraints.** Through the last half of 1994, USAID was unable to work effectively with Parliament because of the opposition's boycott of and, in early 1995, mass resignation from Parliament. This situation, however, increased the importance of elections. In response, USAID gave increased attention to strengthening the capacity of the Election Commission and building an indigenous capacity to monitor elections.

**Other Donor Resource Flows.**

In 1992, donors pledged \$2.1 billion and disbursed a total of \$1.9 billion, of which 44% was disbursed by bilateral organizations, 40% by multilateral financial institutions, 9% by United Nations agencies, and 2% by private development organizations. The United States is the fourth largest bilateral donor, providing approximately 5.23% of all donor assistance to Bangladesh in FY 1993. Other major donors include: the Asian Development Bank, the World Bank, the International Monetary Fund, the United Nations agencies, Japan, the United Kingdom, Canada, the Netherlands, Norway, Denmark, Sweden and Germany.

**BANGLADESH  
FY 1996 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democre- cy	Providing Humanitar- ian Assistance	Total
<b>USAID Strategic Objectives</b>						
1. Increased Use of Modern Contraceptives by Eligible Couples		25,816,000				25,816,000
2. Increased use of high impact maternal and child health services		2,750,000				2,750,000
3. Enhanced Institutional, Programmatic, and Financial Sustainability of FP and MCH Programs		9,611,000				9,611,000
4. Diets of the Poor Nutritionally Enhanced Dev. Assistance P.L. 480 Title II	3,700,000				4,750,000	4,750,000
5. Agricultural productivity per hectere increased Dev. Assistance P.L. 480 Title II	7,047,000				11,810,000	11,810,000
6. Real household income increased	6,550,000		1,147,000			7,697,000
7. Citizen Access to Public Policy Information Increased				1,940,000		1,940,000
8. Citizen Participation in Processes for Achieving Public Policies Increased				2,671,000		2,671,000
<b>Total</b>	17,297,000	38,177,000	1,147,000	4,611,000	16,560,000	77,792,000
Dev. Assistance	17,297,000	38,177,000	1,147,000	4,611,000	0	61,232,000
P.L. 480 Title II	0	0	0	0	16,560,000	16,560,000

USAID Mission Director: Richard M. Brown

## CAMBODIA

FY 1996 Economic Support Fund Request . . . . . \$ 39,520,000

The U.S. Government supported the election and installation of a democratic government in Cambodia, and remains committed to assisting Cambodia's peaceful evolution toward stability and democracy. Against great odds, the Royal Cambodian Government (RCG), a coalition of former political and military adversaries, is now functioning. The Khmer Rouge continue to dominate some regions and continue to fight to regain complete control of Cambodia. But the hundreds of defections from their ranks in recent months have fueled hopes that the Khmer Rouge will soon be a minor force within the country. Experts inside and outside government agree that the primary strength of the Khmer Rouge is the weakness of the RCG.

After the devastation wreaked on Cambodia by the Vietnam War, the Khmer Rouge, and harsh rule under the ensuing Vietnamese occupation, the U.S. and the rest of the international community set about the task of helping Cambodians rebuild their nation. Since Cambodia is still in the precarious early stages of its democratic evolution, USAID categorizes Cambodia as a "country in transition." U.S. support is critical to a stable Cambodia, regional stability, and therefore to U.S. foreign policy in the region. To help achieve this major foreign policy objective in the region, USAID has quickly created a program that has significantly advanced Cambodia's ongoing struggle to consolidate democratic governance.

#### The Development Challenge.

Cambodia's people have suffered immensely during the past quarter century, and would lose the most from a failure of their fledgling democracy. With a per capita income of under \$200 per year, the people of Cambodia are among the poorest in the world. Life expectancy is less than 50 years, infant mortality is 117 per thousand, child mortality is 200 per thousand, and literacy is only about 35%. Only half of the population has access to health services. On the 1992 United Nations Development Program (UNDP) Human Development Index, Cambodia ranks 136th out of 160 countries. As one of the first and fastest-moving donors in Cambodia, USAID has supported and can continue to support Cambodia's struggle for democratic nationhood. The efficacy of USAID's program can greatly influence whether the RCG holds together or falls apart. A collapse of the RCG would threaten regional stability and the international community's two billion dollar investment, not to mention the lives of millions of innocent Cambodians.

As Cambodia has evolved toward democratic governance, USAID's program has evolved to meet new challenges. The program began as a rapid response program in support of the peace process and addressed primarily relief and rehabilitation. It has now moved to a more traditional bilateral program addressing rehabilitation and growth while still focusing on rapid delivery of services. The goal of USAID's program is to help the Cambodian people rebuild their nation.

USAID recognizes that significant humanitarian needs remain and that the RCG is not yet ready nor able to take on responsibility in most of these areas. Due to the systematic dismantling of the country's education system by the Khmer Rouge and the mass execution and/or emigration of Cambodia's educated classes, Cambodia's labor force--public and private sector alike--remains extremely weak. Therefore, USAID's assistance focuses on building Cambodian capacity and establishing an environment conducive to sustainable development. Short-term and on-the-job training for indigenous NGOs, key institutions, the private sector, and core RCG staff are key elements of USAID's program. To help Cambodia's economy move from a government controlled system to a free market system, USAID aims to stimulate participation and private sector growth in every program.

Democracy lacks strong roots in Cambodia, yet 90 percent of Cambodia's eligible voters risked their lives to vote in the May 1993 elections. If Cambodia's citizens are to keep their faith in democratic

governance, benefits of their courage must be visible nationwide in the short-term. To achieve this major objective of U.S. foreign policy in the region, USAID's strategic approach emphasizes achieving rapid, high-impact, and visible results. At the same time, USAID will nurture Cambodia's fledgling democracy by training Cambodians, improving transportation and helping create democratic institutions. Better educated, more prosperous, and freer citizens will be the foundation of Cambodia's future democratic society.

Common themes among all USAID activities are strengthening pluralism, human resource development and training, encouraging the development of indigenous NGOs, and increasing the participation of women.

**Strategic Objectives (SOs).**

**BUILDING DEMOCRACY (\$7,883,000).**

**SO 1. Strengthen pluralism and governance (\$12,960,000, of which \$7,883,000 is for Democracy, \$2,000,000 is for Protecting the Environment, \$1,847,500 is for Stabilizing Population Growth, \$1,229,500 is for Economic Growth).**

Cambodia has had a long history of being dominated by external forces and authoritarian regimes. The Paris Peace Accords of 1991, followed by the United Nations-sponsored elections in May 1993, were major events leading to installation of the present government. That government, however, remains weak: the parties are not well developed as institutions and divisions and political fighting have resulted in uncertainty on Cambodia's political, economic, and social fronts. Although the situation continues to improve, it remains fragile, thus undermining the prospects for sustained peace and economic growth. Nurturing pluralism, democratic values, and the institutions needed for a civil society are critical to maintaining Cambodia's hard-won peace. The USAID program, therefore, encourages pluralism and seeks to strengthen those democratic institutions that are critical to fighting Cambodia's historical tendencies toward authoritarianism, mismanagement, and corruption.

**Activities.** USAID's strategy is to show the advantages of democratic governance to broad segments of Cambodian society while buttressing the very institutions that make up that democracy. If Cambodians learn of the benefits of democratically elected government, the country will be less likely to falter back toward authoritarian rule. USAID provides technical assistance to strengthen the National Assembly, the courts, public interest organizations, and indigenous human rights groups. USAID is also providing technical assistance to improve the operations of key economic planning ministries and the legal system.

**Related Activities.** USAID plans to support economic growth, primary education, and family health and birth spacing activities which will provide tangible benefits to the population of Cambodia to underscore the benefits to be derived from a democratic government. In addition, planned environmental management activities will improve indigenous advocacy skills for environmental issues.

**Indicators.** Because of the dearth of statistics in Cambodia, the Cambodia program has been exempted during the strategy period (1995-1997) from reporting on impact indicators such as those required by USAID's internal performance measurement system. By 1997, sufficient baseline data should be available for comprehensive collection and analysis in future years. Nevertheless, USAID will closely monitor program implementation and informally assess program impact until that time. Some illustrative performance indicators USAID will track for this strategic objective include: (1) publication of the National Assembly's agenda and laws passed, (2) increased access and intervention by public interest NGOs, (3) regular payment of public employee salaries, (4) publication of budgets for government ministries, (5) more public defenders practicing freely in the courts, and (6) regular publication of court rulings, (6) enactment of an environmental conservation law and implementing regulations, and (7) the increase in number and activity of Cambodian environmental NGOs

Feasibility and Cost-Effectiveness. USAID is working in several areas to strengthen the capacity of public and private institutions to help the country's transition to a democratic society. In particular, assistance is targeted on the legal sector, the legislature, independent media, and human rights organizations. USAID also provides assistance to economic planning ministries, which the RCG views as particularly important. Although this assistance has been well received and well used, USAID and the RCG must now prioritize the myriad needs and then select areas where the U.S. Government can provide capable, sustained assistance over the medium term. Also, due to the RCG's inability to manage USAID funds, USAID must rely primarily on U.S. contractors and U.S. and indigenous non-governmental organizations (NGOs) and private voluntary organizations (PVOs) to implement its program. The linking of U.S. and indigenous groups achieves the low-cost transfer of sorely needed management skills to Cambodians. The effective functioning of an indigenous NGO community improves the probability that Cambodia's democratic institutions can be sustained over the long term. Indigenous NGOs are also venues where concerned Cambodian citizens can counsel their government and their fellow citizens on how a free and fair society should work.

Progress in 1993-1994. USAID has already taken significant steps to promote pluralism and to strengthen governance. Evolving from activities to support the peace process and the May 1993 elections, USAID has provided training for the major political parties (except the Khmer Rouge) and support to the new National Assembly. These programs, which are implemented through The Asia Foundation, the National Democratic Institute, the International Republican Institute and the Asia-American Free Labor Institute, have already produced tangible results. Achievements to date include increased transparency in courts, greater respect for due process, and the training of public defenders to protect the rights of indigent defendants. The program emphasizes the role of women and their empowerment in the democratic process.

USAID is one of the few donors with a specific objective to promote improved functioning of the National Assembly and public-interest NGOs in Cambodia. USAID brings in expertise from many countries so that Cambodians can choose for themselves which models of governance are most appropriate in the Cambodian context. The RCG and National Assembly have specifically requested additional U.S. assistance in promoting democratic processes and supporting good governance. Both institutions note that the United States is the preeminent donor in this area and that this assistance has been effective.

Donor Coordination. The Cambodian Government and the United Nations manage donor coordination through the International Committee on the Reconstruction of Cambodia (ICORC). At the sectoral level, the relevant RCG ministry coordinates assistance activities. Generally, informal working groups coordinate activities to ensure that donor efforts in each area complement, rather than duplicate, each other.

Constraints. With a focus largely on immediate concerns, the key constraints to achieving USAID's strategic objectives include an extremely weak government structure, chronic budgetary deficits, an urgent need for civil service reform, competing interests of political factions, a chronic lack of competent counterparts, lack of effective key institutions, and corruption.

## ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$12,045,500).

### SO 2. Support broad-based economic growth (\$10,816,000 for Economic Growth)

Cambodia's tragic experiences of the last several decades have rendered its economy a shambles and its people among the poorest in the world. Its physical infrastructure has been destroyed and its human resources have been squandered. USAID's objective is to strengthen the capacity of government institutions to manage Cambodia's transition to a free-market economy and reintegration into the global economy. In particular, USAID aims to improve the foundation for sustained economic growth in the following areas: the rehabilitation of national highways and rural roads, the reduction of

land mines, the management of fiscal and monetary policy, the provision of basic services, and the upgrading of professional, management, and technical skills.

Activities. USAID's efforts to rebuild Cambodia's economy are focused in three major areas: rehabilitation of physical infrastructure, strengthening of public institutions to support economic growth, and improvement of the human resource base. USAID is already rebuilding a critical transportation artery between the capital city and Sihanoukville, the country's only deep-water ocean port; it will also rebuild farm-to-market roads in the northwest of the country. USAID will continue to provide technical assistance to key economic planning ministries on how to improve their operations. USAID also will help the new Ministry of Environment improve its ability to manage Cambodia's considerable natural resources in an ecologically and economically sustainable fashion. By training all of Cambodia's 46,000 primary school teachers, USAID will improve the quality of primary education, thereby preparing Cambodia's young for the emerging job market.

Related Activities. USAID provides support through PVOs for demining and microenterprise development. Through support of democratic initiatives, USAID is helping to strengthen the legal framework that is essential for economic growth. Finally, USAID's assistance in primary education will improve the quality of primary education.

Indicators. As stated under Strategic Objective 1, the Cambodia program is exempt from USAID's internal performance measurement system during the strategy period because of the dearth of statistics in Cambodia. Nevertheless, USAID will closely monitor program implementation and informally assess program impact. Some illustrative performance indicators USAID will track for this strategic objective include: (1) productive interactions by economic ministries of the Cambodian government with outside contacts including bilateral and multilateral donors, foreign investors, and financial institutions, (2) passage of commercial laws and implementing regulations, and (3) increased tax collection.

Feasibility and Cost-Effectiveness. Realistically, a nation cannot be rebuilt in ten years, nor can the key institutions and human capabilities necessary to manage that process be established in half that time. Nevertheless, USAID can help lay the groundwork for the most important of tasks, the most fundamental of priorities, and the development of the most critical capabilities. Over the next three years, the Cambodian government faces many challenges. The RCG must consolidate its previous gains, produce immediate and visible results for a hopeful population to establish its legitimacy, and strengthen its core capabilities. These steps preface the eventual shift from chaos and despair to broadly participatory, sustainable development.

Progress in 1993-1994. USAID has just begun rebuilding the main highway between Phnom Penh and Sihanoukville, the country's only deep-water port. The work should be completed in 1996. In addition, USAID has worked with many PVOs to conduct skills training programs in urban areas. As a result, Cambodians are developing entrepreneurial skills and opening or expanding small enterprises. USAID is providing assistance to Cambodia's National Assembly and to the legal, regulatory and judicial systems to build strong bases for investment, dispute resolution, and property rights. Already the courts are beginning to function in a more transparent, predictable manner and the presidents of the courts have requested an expanded training and court reform program, which will begin in 1995. The National Assembly has enacted commercial laws which are beginning to lay the foundation for foreign investment and expanded trade. Finally, USAID has just begun to provide technical assistance in macroeconomic planning to the new government. This technical assistance already has resulted in the drafting of strategy papers that will guide the government in its management of international donor resources.

Donor Coordination. Overall donor coordination has been performed through the ICORC process. At the sectoral level, the relevant RCG ministry coordinates assistance activities. Generally, informal

working groups coordinate activities to ensure that donor efforts in each area complement, rather than duplicate, each other.

**Constraints.** Several factors limit Cambodia's capacity to achieve and sustain broad-based economic growth. These include, but are not limited to, the lack of a fully market-oriented policy framework, an experienced private sector, a trained labor force, and even the most basic physical infrastructure. The isolation of much of Cambodia's population (85% rural) threatens to limit the equity of economic growth. Also, the constant mortal threats posed by the 8-10 million land mines, unexploded ordnance and renewed Khmer Rouge insurgency exact a heavy physical and psychological toll on an already war-weary people.

#### PROVIDING HUMANITARIAN ASSISTANCE (\$15,159,500).

SO 3. Meet targeted basic human needs (\$15,744,000, of which \$15,159,500 is for Humanitarian Assistance and \$584,500 is for Stabilizing Population Growth)

The RCG has been, and remains, barely able to provide basic social services to its citizens. Weak government structures, poor security, and insufficient financial and human resources inhibit or altogether prevent the Cambodian government from providing these services.

The problems arising out of weak government structures are evident throughout the countryside. Inadequate health and sanitation services mean that the entire population is at risk from water-borne diseases, tuberculosis and other respiratory diseases. Moreover, lack of access to family planning services has led to a high number of unwanted and high-risk pregnancies (resulting in a high rate of abortion-related deaths), a high maternal death rate, and poor child health. The education system remains weak, condemning the 1.6 million primary school children to schools that leave them illiterate and unable to do basic calculations.

USAID's objective is to strengthen the capacity of public organizations and NGOs to provide sustainable family services. In particular, USAID aims to improve capacity in the following areas: the delivery of services by NGOs, the management of the health and population sector by the government, the knowledge and use of safe family planning and maternal and child health methods by the general population, and the education of Cambodia's children by improving the skills of primary school teachers.

**Activities.** Direct assistance to rural development activities is being provided through PVOs to support a variety of interventions throughout Cambodia, including water and sanitation, hospital rehabilitation, prosthetics, maternal and child health, health education, credit, women's skill development, community development, vocational training for the disabled, and human rights training. USAID's assistance in primary education will train 46,000 primary school teachers.

**Related Activities.** USAID will support environmental management activities to improve environmental advocacy skills. More effective environmental advocates can demand improved management of the environment, which will lead to an improved quality of life for all.

**Indicators.** As stated under Strategic Objective 1, the Cambodia program is exempt during the strategy period from reporting USAID's internal performance measurement impact indicators because of the dearth of statistics in Cambodia. Nevertheless, USAID will closely monitor program implementation and informally assess program impact. Some illustrative performance indicators USAID will track for this strategic objective include: (1) adequate food supplies in markets, (2) improved condition of rural roads, (3) increase in number of textbooks available to primary school students, (4) improved access to health services, sanitation and potable water by vulnerable groups, (5) increased access to pre-natal care, (6) increased use of contraceptives, (7) increase in the number of hectares demined, (8) increased number and improved repayment rates of small loans to entrepreneurs and rural dwellers.

Feasibility and Cost-Effectiveness. The past two decades of violence and political turmoil have not only decimated Cambodia's social service systems, but have severely hampered Cambodia's ability to provide these services anytime soon without external assistance. The majority of educated Cambodians were either killed or driven out of their country. Although the Vietnamese-backed government attempted to reestablish some social services, such as the primary education system, its efforts failed. Quality of instruction is poor, high repeat and dropout rates are the norm, and young Cambodians are left ill-prepared to enter the work force. Yet, there have been improvements, in education as well as a number of other sectors (health, water, etc.) where international and indigenous PVOs and NGOs have been active in Cambodia. Given USAID's limited staff, it relies heavily upon U.S. and indigenous PVOs and NGOs to implement its program. It is a mechanism that has proven to be extremely effective (in terms of impact, geographic coverage, and cost-effectiveness) in transferring much-needed skills to Cambodians working to rebuild their country.

Progress in 1993-1994. USAID has worked with numerous U.S. and international PVOs and international organizations in the following activities: providing prosthetics to war victims and those injured by land mines, maternal and child health through immunization, health education and potable water, and family planning and human immuno-deficiency virus and acquired immune deficiency syndrome prevention. Quality services are being provided on a nearly nationwide basis, and NGOs are training RCG counterparts to improve management, coordination and delivery of services.

Donor Coordination. Overall donor coordination has been performed through the ICORC process. At the sectoral level, the relevant RCG ministry coordinates assistance activities. Generally, informal working groups coordinate activities to ensure that donor efforts in each area complement, rather than duplicate, each other. Donors have established emergency assistance programs which, through coordination and cooperation, are providing relief on a nearly national scale.

Constraints. The single largest constraint to meeting this objective is the continuing security problem that plagues rural programs. While NGOs have established a sound network on which national programs can be based, persistent security problems regularly disrupt service delivery and force the displacement of staff. In addition, the lack of skilled Cambodians has required a significant expatriate presence both for management and service delivery. Low government wages and lack of competent RCG counterparts also impede coordination of activities among service providers.

This USAID objective addresses not only humanitarian assistance needs, but also economic growth, population growth, and democracy goals.

#### **Other Donor Resource Flows**

From 1992 to 1994, the United States was the second largest bilateral donor (22% of bilateral commitments) and the second largest overall donor (9.14% of overall commitments). Other major donors include Japan, France, Italy, Australia, Asian Development Bank, World Bank, International Monetary Fund, United Nations Development Program, and the European Community.

**CAMBODIA  
FY 1996 PROGRAM SUMMARY**

Strategic Objective	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	Total
<b>1. Strengthening Pluralism and Governance</b>	1,229,500	1,847,500	2,000,000	7,883,000	0	12,960,000
<b>2. Supporting Broad-based Economic Growth</b>	10,816,000	0	0	0	0	10,816,000
<b>3. Meeting Basic Human Needs</b>	0	534,500	0	0	15,159,500	15,744,000
<b>Total (ESF)</b>	<b>12,045,500</b>	<b>2,432,000</b>	<b>2,000,000</b>	<b>7,883,000</b>	<b>15,159,500</b>	<b>39,520,000</b>

USAID Representative: Joseph Goodwin

## EGYPT

FY 1996 Economic Support Fund Request: . . . . . \$815,000,000

Following the Camp David Accords, and the initiation of our assistance program in 1975, Egypt has been a strong ally of the United States and a moderating force in the Middle East. Egypt was a vital ally in the Coalition during the Gulf War and, more recently, has played a pivotal role in supporting an overall settlement between Israel, its neighbors and the PLO. U.S. assistance has permitted Egypt to concentrate on and achieve substantial progress in economic and social development, a stunning reversal from the debilitating state of war that it pursued for more than 30 years.

#### The Development Challenge.

The Egyptian economy is in transition from 40 years of state intervention in resource allocation to a market-oriented environment. Macroeconomic management has improved during the past three years; however, economic growth remains slow. More efforts are needed to accelerate privatization, develop the financial sector, reduce tariffs, and create a more supportive environment for private investment and export growth. Egypt has increased production in numerous agricultural crops, but continues to face constraints in areas of agricultural policy, technology, institutions and water use. The population growth rate has declined from 2.9% to 2.2% over the 1984-1992 period but remains high, contributing to slower than desirable economic growth. The under-five child mortality ratio (24.8 per 1,000, 1991) has progressively improved, but remains high. Excellent progress in child spacing has contributed to decreases in maternal mortality, but more effort is required to reduce the 174/100,000 (1992-1993) ratio. Serious environmental degradation of air and water resources constrains the country's development and endangers the health and livelihood of its people. Access to telecommunications, electricity and treated water has greatly increased over the past decade. Yet improved cost-recovery measures in these sectors are needed to ensure sustainability of the infrastructure base. Political reforms have not kept pace with economic reforms. Strengthened political, civil, and government institutions are important for the country's evolution to a sustainable democracy. The new Gore/Mubarak Partnership for Economic Growth initiative, which encourages broader U.S. public and private sector involvement in Egypt's development, promises fresh focus on impediments to sustainable development.

#### Strategic Objectives (SOs).

USAID's multi-faceted program strategy to enhance Egypt's role as a model of stability, democracy, free markets and prosperity in the region has eight (8) strategic objectives complemented by a number of activities, such as training, university linkages and female education, which cut across strategic objective boundaries.

#### ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$652,400,000).

##### SO 1. Improved macro-economic performance (\$205,000,000).

To create a macroeconomic environment which encourages broad-based, sustainable development, Egypt must continue its transition from a centrally planned to a more open, market-oriented economy. To encourage this transition, USAID has developed a macroeconomic policy reform program which concentrates on the fiscal, financial, and trade sectors to promote efficient allocation decisions, savings and external resource inflows. This program includes an emphasis upon privatization of state-owned industries. In addition, USAID is supporting reforms of Egypt's tax administration system, which will improve the country's internal sources of revenue. To build capacity for self-sustaining growth, reform efforts include USAID's encouragement of market pricing and cost recovery in public utilities, health care, and irrigation.

Activities. Encouraging Egypt's transition to a competitive, private sector economy with cash transfers, in return for specific reforms in the financial, fiscal, trade and enterprise sectors, continues as a key activity supporting macroeconomic change. Technical assistance is being provided to help the Government of Egypt (GOE) develop, carry out, monitor and evaluate its reform program.

Indicators. USAID indicators for measuring progress toward achieving this objective are: (1) increase investment as a percentage of gross domestic product (GDP) from 20% in 1991 to 25% in 1997, (2) improve savings as a percentage of GDP from 7% in 1992 to 13% in 1997, and (3) reduce the fiscal deficit as a percentage of GDP from 20.2% in 1992 to 3.5% in 1997.

Feasibility and Cost-effectiveness. In early 1990, Egypt faced a major crisis because of its excessive dependence on external financing from Suez Canal tolls, expatriate remittances, oil exports, tourism and bilateral aid, all of which decreased in the mid-1980s at a time when the price of oil also fell. In response, the government initiated expansionary fiscal policies to maintain public sector outlays. These actions resulted in a worsening balance-of-payments, increased foreign debt, and the depletion of international reserves. By 1990, Egypt faced a major crisis with a foreign debt of \$50 billion and no capacity to repay it. New opportunities for fundamental economic reform came during the Gulf War which provided Egypt with substantial debt relief and additional economic assistance. After signing agreements with the International Monetary Fund (IMF) and the World Bank in 1991, Egypt embarked on a serious economic reform effort. From USAID's and other donors' perspective, the reforms targeted at the impediments to long-term growth are the only feasible way for Egypt to avoid another economic crisis.

Progress in 1993-1994. While progress in privatization and public services cost recovery has been less than expected, many positive changes have occurred in other areas. During 1993, the GOE met 19 out of 20 reform actions promoted by USAID's sector reform program. Over 1991-93, the GOE unified the exchange rates, reduced tariffs, and lifted interest rate ceilings. During this period, the budget deficit fell from 20% to 4.7% of GDP and inflation dropped from 25% to 10%. The GOE continues to show fiscal restraint. In lieu of the average annual increase of 22% that occurred from 1987-88 to 1992-93, Egypt held the budget to an 8% increase for the 1994-95 cycle. The budget deficit is now below 3% of GDP and inflation is in the 7%-10% range. International reserves have risen to \$16 billion.

Donor Coordination. The IMF's extended arrangement with the GOE has not been drawn down for the last year, in part because Egypt's level of international reserves is adequate and because a successful review of the program is as yet incomplete. The final \$4 billion of a \$10 billion Paris Club debt relief package has been delayed since July 1994, pending IMF/GOE agreement over additional reform measures. The World Bank is providing technical assistance for a reform monitoring program.

Constraints. The GOE, attempting to balance economic imperatives against political liabilities, has adopted a gradual approach to major changes. With political stability threatened by extremists who have targeted both the government and the tourist trade, the GOE continues to balance pressures from external donors and its citizens about the pace of change. The primary constraint to policy reform is the GOE's caution in balancing the need for economic reform against political factors.

## SO 2. Increased private investment and trade (\$237,600,000).

This strategic objective sets the framework for basic institutional changes needed for a free-market economy, private sector investment and growth. Egypt remains dominated by public sector companies which contribute little to economic growth. USAID must continue to work with the Egyptian Government on regulations, remaining price controls and policy constraints, which handicap the development of the private sector and inhibit growth. USAID assistance must take into account the low purchasing power of most Egyptians, which means that gains in output, job creation and earnings must come primarily from exports.

**Activities.** USAID is currently addressing second-generation structural adjustment issues, moving from macroeconomic to sectoral or industry-specific initiatives. USAID is continuing support for the Private Sector Commodity Import Program (CIP); expanding support for small and micro-enterprise development; pressing for greater privatization efforts; and supporting a non-profit Egyptian research institution to analyze policies and strategies to promote free-market principles and structures. In addition, USAID will initiate a new export development activity.

**Indicators.** USAID indicators for measuring progress toward achieving this objective are: (1) increase total private non-petroleum exports from \$953 million in 1992 to \$1,550 million in 1997 and (2) increase new investment in private sector companies from \$914 million in 1992 to \$2,940 million in 1997.

**Feasibility and Cost-effectiveness.** The GOE's Second and Third Development Plans (1988-92 and 1992-96) include ambitious objectives for private sector-led growth. Progress has been slow because structural imbalances in the economy are still profound and regulatory impediments and rigidities are pervasive. USAID is using U.S. expertise as a catalyst for change. Private sector firms, as well as those transitioning from state to private ownership, are tapping into experience from the International Executive Service Corps to improve their technical and managerial performance. The Commodity Import Program is helping establish linkages with U.S. suppliers for expanding production needs. Policy measures are being designed and implemented to remove legal and bureaucratic restrictions to the creation of productive and competitive businesses. These efforts are assisting greater small- and micro-enterprise development, facilitating entrepreneurs' access to formal credit and technical assistance and helping to expand economic output and generate employment.

**Progress in 1993-1994.** Non-petroleum exports increased from \$953 million in 1992 to \$1,050 million in 1993, indicating improved policies and a more rational exchange rate. Small- and micro-enterprise (SME) development continued to do well. From 600 borrowers in 1990, the program expanded to 15,900 in 1993, with less than a 2% default rate overall. Two of the SME lending institutions will reach operational break-even this year, after only two years of lending. By its second year of USAID support, the Trade Development Center facilitated target exports for European and Middle East markets, valued at \$30 million, exceeding its goal by 20%. Privatization units have been established in six state holding companies to expedite actual transactions. In 1994, the government privatized nine state-owned enterprises. From the inception of the private sector CIP program (1986-94), 830 Egyptian private importers have bought goods from 1,400 U.S. exporters.

**Donor Coordination.** The World Bank is a key partner. Close collaboration exists for banking reforms, revision of business laws, convening of the first Private Sector Development Conference, and the formulation of a comprehensive export development strategy.

**Constraints.** Sales of state enterprises as a measure of investment in private sector companies have been slow due to the politically sensitive issues of heavy and complex indebtedness, land titles, and redundant labor. Although private exports and new investments have increased modestly, more dramatic performance in these areas will be necessary for sustainable growth. Legal and bureaucratic restrictions continue to hamper Egyptian and foreign private businesses, handicapping expansion and the potential for sustainability. Other challenges include a relatively inactive stock exchange, a limited range of financial instruments that have not been conducive to new capital formation, and the inadequacy of institutions to meet informational, analytical and advocacy needs of the nascent private sector.

### SO 3. Increased production, productivity, and incomes in the agricultural sector (\$89,200,000).

The agricultural sector accounts for approximately 18% of the country's GDP, 36% of overall employment, and 22% of commodity exports. Half of the Egyptian population live in rural areas where

agricultural activities predominate. Agricultural-related industry, including the production of agricultural inputs and the processing and marketing of commodities, accounts for another 20% of GDP and a substantial portion of the work force. Incomes in the agricultural sector lag seriously behind those in other sectors. Due to state intervention, sector growth during the early to mid-1980s was very poor, with value of production growing at less than 1% per year. The public sector's role in the production and supply of agricultural inputs, combined with inappropriate pricing and marketing policies, contributed to this poor performance. For economic growth to be realized in Egypt, serious progress needs to occur in addressing institutional and technological constraints that face the agricultural sector. A limited water supply with competing demands for its use lies at the core of any agricultural solution.

**Activities.** Four activities support this objective. The first includes: policy and institutional reform, including market-oriented pricing of products and inputs; an increased role for the private sector in processing, marketing and distribution of selected products and inputs; increased efficiency of public investments in land, water and research; and an improved food security program. The second activity involves enhancing the productivity of selected cereal and horticultural crops and through development and use of appropriate technology improving marketing and increasing exports of these crops. The third supports improvements in the use and management of water and land resources for agriculture. A fourth, to support agribusiness development, is to be developed in FY 1996.

**Related Activities.** Other USAID activities supporting this objective include linkages with the university community focused on agricultural sector development problems, as well as related technical and feasibility studies, training and PVO strengthening.

**Indicators.** The indicators for measuring progress toward achieving this objective based on 23 major crops are: (1) increase agricultural production (Laspeyres index) from 100 in 1986-88 to 127 in 1997; (2) maintain the annual growth rate in total production at 2.3% over the 1984-97 period; (3) increase the gross output value per hectare under production from \$180 in 1986-88 to \$210 in 1997; (4) increase the gross output value per agricultural worker from \$165 in 1986-88 to \$185 in 1997; and (5) increase the real value of total gross farm revenue from \$1,019 million in 1986-88 to \$1,431 million in 1997.

**Feasibility and Cost-effectiveness.** USAID's strategy is based on the premise that the agricultural sector has tremendous growth potential both in terms of productivity and in levels of production. Egypt possesses exceptional agricultural resources, including a controlled irrigation system, fertile soils, temperate climate, absence of recurring natural disasters, and a central regional location. Furthermore, Egypt's successful reforms to date to liberalize product and input markets and to increase the share of private sector participation augur well for future reform in the sector.

**Progress in 1993-1994.** USAID assistance in policy and institutional reform, research and water resource improvements has contributed to advances in agricultural production, productivity and income from 23 selected major crops. The production index registered an increase from 115 in 1992 to an estimated 117 in 1993, with notable increases in metric tons per hectare in cotton (7%) and maize (10%). Agricultural production grew at an estimated 2.5%, above the 2.3% target. Land and labor productivity and farm revenue also rose by more than 1%. Liberalized product and input markets and the increased private sector share of agricultural processing and marketing contributed to these results. For example, by 1993 the government had lifted cropping, pricing and other restrictions on all but one of 14 controlled crops. The private sector share of fertilizer distribution rose from 0% to 90% over the 1990-93 period. Their share of rice and wheat milling likewise increased. Further improvements in irrigation structures and systems have given farmers greater control over water delivery and increased water-use efficiency.

**Donor Coordination.** USAID collaborates with the IMF and the World Bank on policy reforms in pricing, marketing, privatization, efficiency and cost recovery in irrigation, and subsidy reduction. Other complementary donor activities include: World Bank (technology transfer and irrigation); Germany

(credit and seed sector liberalization and irrigation); Canada, European Union and Japan (irrigation); and the Netherlands and the United Nation's Food and Agricultural Organization (research and drainage).

**Constraints.** Water is a limiting factor to the considerable growth potential of Egyptian agriculture and continued investments to improve water use efficiency are essential. Because of water and land limitations, Egypt's agriculture is already technology-intensive, but more focused intensity is a must. Liberalizing the cotton sub-sector, a major potential factor in agricultural sector growth, is slow because of cross-cutting issues involving several ministries and internal politics.

#### **SO 4. Improved Maternal and Child Health (\$35,600,000).**

Despite advances in child survival, children in Egypt continue to die from preventable causes, such as acute respiratory infections, diarrhea and neonatal causes related to poor prenatal care and unsafe delivery. The maternal mortality ratio also remains high. Other communicable diseases still afflict the population in large numbers. As many as 25 million Egyptians are at risk of contracting schistosomiasis while 9 million, many of whom are children, are already infected.

**Indicators.** USAID indicators for measuring progress toward achieving this objective are: (1) reduce the infant mortality rate from 61.5 per thousand live births in 1990 to 37 in 1997; (2) reduce the child mortality rate from 24.8 per thousand live births in 1991 to 17 in 1997; and (3) reduce the maternal mortality ratio from 174 per 100,000 live births in 1992 to 130 in 1997.

**Activities.** A new maternal and child health activity will give priority to strengthening the skills of health care providers to improve the quality of health care. The public sector relationship will focus more on the regulatory side of health services to ensure that standards are set and followed, and a system for continuing education is institutionalized. In addition, a new health policy program will be launched.

**Feasibility and Cost-effectiveness.** Egypt, in partnership with international donors such as USAID, UNICEF and the World Health Organization, has implemented essential public health programs that have resulted in significant health improvements. The achievements, particularly during the last decade, have been outstanding. Cases of neonatal tetanus, poliomyelitis and measles have decreased due to the effective national vaccination program. Diarrheal deaths, once the number one killer of infants and children in Egypt, have been brought under control through oral rehydration treatment. Thousands of deaths and disabilities in infants are being avoided through improved newborn care and better treatment for acute respiratory infection. Training of doctors, nurses and traditional birth attendants in family planning and prenatal care are helping women avert death and serious handicaps. Evaluations have shown that USAID-supported health and family planning projects are directly contributing to these health improvements. In spite of the many successes, however, Egypt still has unacceptably high death and illness rates in its population. For example, the infant mortality rate, which stands at 61.1 deaths per 1,000 live births, is still seven times higher than in the United States. Cooperation in this sector must continue. To promote sustainability, model cost-recovery systems are being developed for public hospitals to generate more revenue to support preventive care and free up Ministry of Health resources for cost-effective maternal and child health programs. Diversifying the funding for personal health care through cost recovery and health insurance as well as promoting private sector initiatives are important approaches to improve the quality of care.

**Progress in 1993-1994.** Long-term trends for child survival are positive. Infant mortality per thousand live births declined from a rate of 129.2 in 1975 to 61.5 in 1990. Child mortality per thousand declined from a rate of 91 in 1975 to 24.8 in 1991. Child immunization coverage rates of approximately 90% have been sustained. A goal to eradicate polio by 1995-96 is on the way to being met: reported suspected cases of polio dropped from 671 cases in 1992 to 196 in 1993. The acute respiratory infection control program has been extended nationwide.

Donor Coordination. United Nations Children's Fund (UNICEF) and the World Health Organization (WHO) programs complement USAID's. UNICEF provides technical assistance, commodities and operational expenses for child survival activities, including the expanded program of immunizations, the acute respiratory program, and breastfeeding promotion. WHO is a key player in health policy. USAID, the African Development Bank and the World Bank have complementary programs in schistosomiasis control.

Constraints. Principal constraints to improved maternal and child health are inappropriate government policies which favor hospitals and the curative sector over preventive services. A major challenge in achieving the strategic objective is related to the Ministry of Health (MOH) policy making and planning process and GOE budget allocations for preventive/public health care. Despite an extensive network of health facilities throughout Egypt, Egypt's maternal mortality ratio is as high as many Sub-Saharan African countries with far less infrastructure.

#### STABILIZING POPULATION GROWTH (\$10,000,000).

##### SO 5. Reduced Fertility (\$10,000,000).

The Egyptian family planning program, with substantial USAID support, has successfully reduced the total fertility rate from 5.2 (the number of children the average woman would have) in 1980 to 3.9 in 1992. The population growth rate has declined from 2.9% in 1984 to 2.2% in 1992. Such a growth rate, despite the impressive decline, has obvious developmental consequences. The government is currently hard pressed to expand social services and create employment to absorb the growing labor force. Already one of the most densely populated countries, Egypt is growing increasingly urbanized. As a result, population density in urban Egypt surpasses that of Bangladesh, straining already overcrowded conditions with poor sanitary conditions. To maintain current gains, to reduce critical budgetary pressures on its social services, and to assure reproductive choice to all women, Egypt must continue to strengthen its existing programs.

Activities. The USAID's continuing multi-component population program assists the GOE and the private sector provide accessible, appropriate and high-quality information, services and commodities for population and family planning.

Related Activities. Recognizing the negative impact of inadequate female literacy on economic growth, including fertility targets, USAID will build on a pilot effort in female education which will begin in 1995. In Egypt, female illiteracy is 66% (compared with 37% for men) and increasing because girls' attendance lags behind boys'.

Indicators. USAID indicators for measuring progress toward achieving this objective are: (1) decrease total fertility rate from 3.9 in 1992 to 3.5 in 1997 and (2) reduce the crude birth rate from 29.2 in 1992 to 27.0 in 1997.

Feasibility and Cost-effectiveness. Over the long term, the challenge is to build sustainable capacity, systems and policies for the delivery of family planning services. The expectation that further improvements in the prevalence and quality of family planning use in Egypt is feasible is based on substantial "unmet need." Studies indicate that one in five currently married Egyptian women has unmet need. USAID can bring its considerable expertise to bear in assisting the GOE in training service providers, developing effective media messages, increasing the variety of available contraceptives, and improving management in the implementing agencies.

Progress in 1993-1994. The contraceptive prevalence rate increased from 38% in 1988 to 47% in 1992 and unpublished results of a 1993 national survey indicate it has risen further to almost 50%. The extended use failure rate has fallen from 13% to 10% between 1988 and 1992. In addition, contraceptive services and supplies have become widely available in the public and private sectors and

the quality of services is improving.

**Donor Coordination.** USAID is the major donor in this sector. Other donors include the United Nations Fund for Population Assistance (UNFPA), the International Planned Parenthood Federation, and Japan. USAID is working closely with interested donors (the Japanese, the World Bank, the Dutch, Germans, and European Community) to assist in the identification of reasonable opportunities for assistance which will contribute to the overall quality and sustainability of the program.

**Constraints.** Weak institutions, inadequate access to a variety of contraceptive methods (including advanced methods such as NORPLANT), weak counseling skills of providers in the public and private sectors, and restrictive contraceptive pricing policies which prevent wide distribution through private sector channels represent the principal constraints being addressed by USAID.

#### PROTECTING THE ENVIRONMENT (\$134,600,000).

SO 6. Increased access to, and efficiency and reliability of public utilities in urban target areas (\$162,000,000).

Egypt's needs for massive investments in the water, wastewater, power, and telecommunications sectors continue due to a lack of basic infrastructure and high population growth. These investments are crucial not only to provide basic services to a growing population, but also to create the infrastructure which will support sustained economic growth. Despite USAID infrastructure investments which have affected one out of every three Egyptians, 25% of Egyptians still have no source of treated water, and 60% have no access to sewerage collection systems. Existing infrastructure often does not operate at desirable efficiencies, resulting in water leaks and wastage that accounts for 40%-50% of production. Poor or non-existent sewerage systems still affect certain parts of Cairo and Alexandria. In addition, the GOE is operating and maintaining existing systems without adequate cost recovery and trained personnel. Infrastructure entities are chronically under-funded, suffer from limited autonomy, and operate inefficiently with a large and poorly managed staff.

**Indicators.** The indicators for measuring progress toward achieving this objective are: (1) increase the population connected to improved sewerage systems in Cairo by an additional 1.6 million by 1997; (2) increase the population served by improved sewage collection and treatment in Cairo, Alexandria and the Canal Cities from 2.4 million in 1992 to 8.0 million in 1997; (3) increase the population with access to improved water supply (Cairo, Minya, Fayoum, Beni Suef) by an additional 4.35 million by 1997; (4) increase telephone density in Cairo from 10.2/100 people in 1992 to 14.4/100 people in 1997 and from 10.7/100 people in 1992 to 15/100 people in 1997 in Alexandria; and (5) reduce national electrical energy losses from 15.5% in 1989-90 to 13.2% in 1996-97.

**Activities.** Based on policy reforms made by the Egyptian Electric Authority, USAID will continue to finance a regional control center and the ongoing rehabilitation and upgrading of laboratory facilities, with associated engineering services. A new effort to rehabilitate and expand electric distribution systems in selected parts of Egypt will begin in FY 1996. Ongoing efforts to expand and rehabilitate the Egyptian telephone system and the on-line capability of the national network operations center will continue. Improvements in wastewater collection, conveyance, and treatment plant capacity will be financed for Cairo, and plant expansion and disposal improvements will be financed for Alexandria. USAID funding for these improvements is conditioned upon GOE sector policy reforms.

**Feasibility and Cost-effectiveness.** Infrastructure provides the essential foundation for enhanced productivity and market efficiencies, while also improving the basic health conditions of many Egyptians. In the water and wastewater sector, USAID will continue its focus on urban areas

where the impact is greatest. USAID will focus on the policy reforms which are essential to long-term sustainability: the creation of autonomous utilities, provision of adequate operation and maintenance funds based on realistic tariffs and fees, and reforms of personnel and management systems. In the power sector, the emphasis is upon creating a better financed and managed utility and an efficient transmission and distribution system with rehabilitated generating facilities. Such a system will not only provide the power needed for continued economic growth but will also have a positive impact on the environment. USAID's continued support of the telecommunications sector is instrumental in providing this critical component of economic infrastructure.

Progress in 1993-1994. Population served by improved sewerage collection and treatment was 5 million rather than the 2.1 million planned, while the population added to the sewerage collection in Cairo was 800,000 rather than the 700,000 planned. Targets were exceeded because two sewage treatment plants came on line earlier than expected. Access to improved water supply was provided to 350,000 during the year. Electrical energy losses decreased from 15.5% in 1989-90 to 14.1% in 1990-91, while telephone density in Cairo improved from 10.2 lines per 100 people in 1992 to 11.3 lines per 100 in 1993.

Constraints. The only real obstacle to meeting the future targets will be the GOE's ability to implement reforms upon which USAID has conditioned investments. USAID and its counterparts have a proven ability to successfully construct wastewater, power, and industrial systems. One reform which continues at a slow pace is the GOE progress towards the creation of autonomous wastewater utilities. Presidential decrees have been signed, putting in motion the process for autonomous entities in Cairo and Alexandria. However, cost-recovery efforts, which would result in increased tariffs and fees sufficient to cover operation and maintenance costs, lag behind expected progress, and few if any of the needed reforms of personnel and management systems have been implemented.

In addition to addressing the environment, this strategic objective will address broad-based economic growth through funding investments in the telecommunication sector.

#### SO 7. Adoption of water and air protection practices (\$32,600,000).

Water and urban air pollution are the major environmental problems which jeopardize both Egypt's economic development and its citizens' health. Water pollution caused by agricultural chemicals, industrial wastes, raw sewage and silt from runoff has seriously contaminated water intended for human consumption, irrigation and other uses. Egypt's dependence upon the Nile River as the main source of its water exacerbates this critical problem. Agricultural lands are seriously affected by polluted agricultural drains, salinity and waterlogging. Human health also is adversely affected. Alexandria's highly polluted Lake Maryut provides a graphic example of the harmful impact of untreated sewage and agricultural runoff upon both fish and inhabitants in the area. Fish take has declined 90% in these lakes, and life expectancy of lakeside residents is significantly less than the rest of the country. Urban air quality is seriously degraded as a result of industrial emissions, vehicles, construction, garbage burning, and natural dust from surrounding deserts. Levels of suspended particulate and lead pollution in Cairo are the highest among the world's megacities and cause an estimated 10,000 to 25,000 additional deaths per year. Furthermore, children reared in Cairo are exposed to higher than average lead pollution.

Indicators. The indicators for measuring progress toward achieving this objective are:

(1) Avert metric tons of air pollutants per year (MT/Y) over the period 1992 to 1997 from zero to the following amounts: nitrous oxides (NOx) 9,500 MT/Y; particulates 21,300 MT/Y; sulfur oxides (SOx) 390,000 MT/Y; and carbon dioxide (CO2) 10,000,000 MT/Y; (2) increase metric tons per year of biological oxygen demand (BOD) and total suspended solids (TSS) pollutants averted from the Nile and Lake Maryut from 43,510 MT/Y in 1993 to 174,550 MT/Y in 1997; and (3) increase percent removal of BOD and TSS from USAID-funded facilities in Cairo and Alexandria

from 0% in 1992 to 80% in 1997. (Note: averting pollutants is achieved by either directly reducing pollutant emissions in pre-existing facilities or by introducing clean technologies or fuels in new facilities).

**Activities.** USAID activities are designed primarily to address policy, institutional and technical constraints. In policy areas, USAID is promoting the removal of energy, fertilizer, and pesticide subsidies which in turn reduces the wasteful overuse of these polluting substances. Supported largely by infrastructure activities, direct interventions focus on averting both air and water pollution. Wastewater construction and rehabilitation activities are designed to maintain or improve water quality. Power activities provide more efficient electrical generation and distribution systems. Industrial energy and environment activities reduce the discharge of industrial pollutants and promote energy conservation. A new Cairo air quality activity, beginning in 1995 will assist GOE efforts to reduce lead in gasoline, institute a vehicle emissions testing and certification program, and establish incentives to reduce industrial emissions.

**Feasibility and Cost-effectiveness.** USAID continues to build on previous success. Earlier projects in wastewater, energy and agriculture have positively impacted Egypt's environment. Under the current environmental strategy, USAID continues to cooperate with individual ministries in sectors which include water pollution, irrigation and agriculture, population, energy efficiency and industrial pollution prevention. Improved technologies are being introduced in these areas, with the most important contributions being made in the collection and treatment of sewage, generation and delivery of electricity, and as industrial energy efficiency and pollution prevention. To promote improved conservation and protection technologies, USAID is supporting a number of policy and institutional reforms, including increases in electricity and water prices, increases in wastewater tariffs, official issuance of air emission regulations for Law 4 of 1994, and actions to reduce lead pollution in Cairo.

**Progress in 1993-1994.** Raw sewage flooding in Cairo and Alexandria has stopped. Discharge of sewage onto the beaches of Alexandria has been substantially reduced. Pollutants are being averted: 64,000 metric tons of biological oxygen demand and 124,000 metric tons of total suspended solids were averted from Egypt's fresh water resources. Waterlogging and soil salinity are being reduced through proper irrigation practices. Energy projects are averting the following from urban air: 2,700 MT/Y of NO<sub>x</sub>; 3,800 MT/Y of CO; 3,500 MT/Y of Particulates; 72,300 MT/Y of SO<sub>x</sub>; and 1,800,000 MT/Y of CO<sub>2</sub>.

**Donor Coordination.** The World Bank and other donors assisted the GOE in the preparation of its Environment Action Plan, issued in May 1992. Donor coordination increased thereafter, with Denmark taking a lead role. Denmark provided a \$200 million five-year grant in 1992 for activities in institutional development, environmental monitoring, water pollution prevention, renewable energy, and sanitation. Other complementary donor involvement includes the Germans (industrial pollution, drainage, integrated pest management and sewerage); United Kingdom (wastewater treatment and environmental planning); Canada and the Netherlands (water resource management); and Italians (sewage treatment and historical monument preservation).

**Constraints.** There is no effective administration of new laws and decrees, a situation further hampered by the involvement of too many government agencies in environmental decisions. Lack of environmental information and a uniform monitoring system is another major constraint to informed decision making and to general public awareness.

**BUILDING DEMOCRACY (\$18,000,000).**

**SO 8. Strengthened democratic institutions are contributing to lawful governance (\$18,000,000).**

An important objective of U.S. assistance to Egypt is to promote sustainable democracy or

representative government within the context of the rule of law. While Egypt has a long history of formal democratic institutions, dating back to its first Parliament in the 1860s, they do not play the role intended. There is a long history of focusing decision-making at the central level. Nevertheless, the GOE has initiated a national dialogue which is designed to integrate dissenting voices within the current political structure. Egypt's efforts to liberalize the economy will be equally affected by this emerging trend towards openness and increased pluralism in the political sphere.

**Indicators.** Planned indicators for measuring progress in this objective area include: (1) surveys of expert opinion that the legislature is better informed and is playing a stronger role; (2) surveys of expert and public opinion that courts which USAID identifies for improvement are more responsive to the needs of the public; and (3) surveys of active associations and of all Nongovernmental Organizations (NGOs) receiving USAID support to determine increased NGO influence on public decisions.

**Activities.** New activities to strengthen the ability of civic groups to identify their problems and voice them in the public arena will be launched. In the area of administration of justice, work is beginning to streamline and automate administrative processes, train staff in new procedures and in the use of legal databases. Training will be provided to the judiciary to assure familiarity with new legal areas, emphasizing civil and commercial law. Work with the legislature, the People's Assembly and Consultative Assembly, will support training of staff in basic policy research methodologies. Activities supporting greater contributions by NGOs will continue.

**Feasibility and Cost-effectiveness.** Egypt already possesses important infrastructure for democracy. The most promising elements include the rule of law, the relative freedom of the print media, the existence of representative groups, such as the People's Assembly and the Shura Council, and the proliferation of special interest groups. Focusing upon these strengths, USAID encourages increased participation and confidence in democratic institutions to facilitate Egypt's transition towards a sustainable democracy. The GOE has already shown a commitment to concentrate resources in these areas and support USAID activities with the legislature. It seeks a representative body that is more informed and effective. Private special interest groups are eager to strengthen their abilities to determine and voice the interests of their constituents in the public arena. Finally, the justice sector, modeled on the European code system, needs new technology and systems to improve its administration and reduce the case backlog for the timely delivery of justice and increase responsiveness to public needs, including the emerging private sector.

**Progress in 1993-1994.** Work under this strategic objective is in its initial stages. USAID is poised to help improve the research and analytic capabilities of legislative staff, so that they can provide better briefings and policy options to members on issues of national interest and improve the ability of the legislative branch to oversee the executive. The Library of Congress and a contractor are implementing this activity, consisting primarily of in-depth training in Egypt.

**Donor Coordination.** USAID is the lead donor in the field of governance and democracy in Egypt. Other complementary donor activities include a small United Nations Development Program (UNDP) grant provided to the People's Assembly/Shura Assembly for computer hardware and software equipment and training, and UNICEF efforts with local NGOs to upgrade their effectiveness. UNICEF also has organized a donor sub-committee on NGOs.

**Constraints.** Movement towards sustainable democracy in Egypt is fraught with challenges. While the GOE has a wary approach to popular participation, based on the need to maintain stability during this period of economic reform, the number and types of special interest groups existing in Egypt are impressive. Over 12,000 non-profit organizations are registered under Law 32 of 1964 which authorizes their activities but limits their freedom of action. All groups registered under this

law fall under the Ministry of Social Affairs which exerts considerable control over them. Some NGOs have chosen not to register under this law, of which they are vocal opponents. Some of the newer organizations, such as think tanks and other private sector groups, have registered themselves as small businesses to ensure a larger measure of independence. Overall, political sensitivity to foreign assistance in the sector requires USAID's close and thoughtful collaboration with Egyptian counterparts, whether they represent the legislature, the judiciary or civic and NGO groups.

#### **Cross Cutting Issues (\$25,000,000)**

USAID continues to fund a few activities in Egypt that cut across sectoral boundaries and strategic objectives. These include development training that provides U.S. and in-country training opportunities (\$17,000,000) serving both public and private sector needs in areas that complement USAID's overall development effort. Two other activities are the creation of university linkages (\$3,000,000) to help solve select development problems and support for female literacy (\$5,000,000).

#### **Other Donor Resource Flows.**

Egypt receives large amounts of aid from many bilateral and multilateral organizations. In 1994, the donor community, including the World Bank, France, Germany, the European Union, and the African Development Bank Fund, pledged over \$2.4 billion in economic assistance to Egypt. While at least 26 bilateral and multilateral organizations are involved, the United States currently provides the highest portion of assistance annually (approximately 30%) as well as the widest-ranging project assistance.

EGYPT  
FY 1996 PROGRAM SUMMARY

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Total
USAID Strategic Objectives					
1. Improved Macro-Economic Performance	205,000,000				205,000,000
2. Increased private investment and trade	237,600,000				237,600,000
3. Increased production, productivity, and incomes in the agric. sector	89,200,000				89,200,000
4. Improved Maternal and Child Health	35,600,000				35,600,000
5. Reduced Fertility		10,000,000			10,000,000
6. Increased access to, and efficiency and reliability of public utilities in urban target areas	60,000,000		102,000,000		162,000,000
7. Adoption of water and air protection practices			32,600,000		32,600,000
8. Strengthened democratic institutions are contributing to lawful governance				18,000,000	18,000,000
Cross-cutting issues:					
--Training	17,000,000				17,000,000
--University Linkages	3,000,000				3,000,000
--Female Literacy	5,000,000				5,000,000
<b>Total</b>	<b>652,400,000</b>	<b>10,000,000</b>	<b>134,600,000</b>	<b>18,000,000</b>	<b>815,000,000</b>

USAID Mission Director: John R. Westley

## INDIA

FY 1996 Development Assistance Fund Request .....	\$70,433,000
FY 1996 P.L. 480 Title II Request .....	\$85,853,000

With nearly one billion people and a large diversified economy, India is the world's largest democracy and a growing economic and political power in Asia. Reforms to open the economy, beginning in 1991, have greatly improved prospects for reducing the country's massive poverty. In the transition to a market economy, India continues to face profound challenges in providing sufficient food, jobs, medical services, schools and infrastructure for its growing population. The USAID program, which concentrates on population stabilization, environmental protection and economic growth, strengthens American ties with the most important nation in South Asia. The United States is now India's largest trade and investment partner, and annual trade between the two countries is valued at about \$8 billion.

#### The Development Challenge

With extensive natural resources, a well-developed industrial base, a diversified agricultural sector, and a burgeoning middle class of more than 100 million, India has the potential to achieve rapid, broad-based growth similar to its East Asian neighbors. However, years of socialist, inward-looking policies exacted a legacy of slow growth and the world's greatest concentration of poor people. India's per capita income is \$300, and the number of extremely poor in India is five times that of Latin America, including the Caribbean. There is more extreme poverty and food insecurity in India than in all of Asia combined, including China. Although the country is self-sufficient in grain production, roughly 50% of the children are malnourished. While gains have been made in life expectancy and literacy nationwide (62 years and 48%, respectively), there are vast differences among states and regions, and between males and females. For example, in Uttar Pradesh, home to more than 140 million Indians, women average five children; one in ten children die before their first birthday; and only one woman in five is literate.

The stabilization and structural reforms initiated by the Government of India (GOI) in 1991 recognized that its past development policies failed to produce broad-based growth and poverty reduction. These policy reforms, which continue today, have proved pivotal in restoring macro-economic stability and encouraging growth. Trade policy was liberalized and customs duties were lowered. The fiscal deficit was lowered to some 6% of gross domestic product, and inflation decreased to single digits. Foreign investment was encouraged and foreign exchange reserves, less than \$1 billion in 1991, are currently estimated at about \$20 billion. GDP grew by more than 5%, and industrial production grew by 8% in 1994.

But India's massive population and environmental challenges threaten gains from these reforms. India's population doubled in the last 30 years, and in just the past decade, the population increased by 170 million which is more than the total population of Japan. Such growth intensifies pressures to increase agricultural production, raising the risk of environmental degradation. India's urban population is the second largest in the world and is expected to grow to 290-350 million by the year 2000; urban areas face staggering demand for water and electricity. The three largest cities, New Delhi, Bombay, and Calcutta, are among the most polluted in the world. India is the fifth largest and second fastest growing contributor to world greenhouse gas emissions.

#### Strategic Objectives (SOs)

USAID's program addresses pressing transnational problems of population growth, environmental degradation and human immunodeficiency virus (HIV) and acquired immunodeficiency syndrome (AIDS) pandemic, while promoting policies and institutions appropriate for sustained economic growth. USAID targets its assistance at three strategic objectives:

- Accelerate broad-based economic growth through increased competition and innovation in housing finance, capital markets, power and agribusiness.
- Stabilize India's population growth by reducing fertility in north India. This will be accomplished by increasing contraceptive use in Uttar Pradesh, increasing child survival in northern India and empowering women to have greater control of their productive and reproductive lives.
- Protect the environment by increasing energy conservation and productivity; improving environmental conditions in selected industrial areas and protecting biodiversity.

#### ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$8,797,000)

##### SO 1. Increased competition and innovation in housing finance, capital markets, power and agribusiness (\$8,797,000)

A permanent reduction in the world's greatest concentration of extreme poverty requires greatly accelerated growth to create jobs and increase incomes. Despite India's significant reforms to date, many deeply entrenched internal and external policy distortions still restrict competition and innovation. Even modest improvements in these areas can greatly reduce poverty in a relatively short period of time. USAID's economic growth strategy, therefore, is targeted on policies and project opportunities that have strong multiplier effects on economic growth. USAID assistance promotes competition and innovation in the housing finance, capital markets, energy and agribusiness sectors. By strengthening financial markets and testing market-based financial institutions, USAID mobilizes relatively high rates of savings in India to generate the investments required for rapid economic growth. By supporting deregulation, privatization and increased foreign investment in selected sectors of the economy, USAID encourages competition and innovation essential to sustained poverty reduction.

Activities. USAID's housing finance program promotes the development of a financially sound, private sector, housing finance system. The objective is to expand long-term home finance for median income and below median income households. USAID has supported private housing finance in India since 1979 and has assisted the rapid expansion of registered housing finance companies. Building on past successes, this program, which draws on \$100 million in USAID loan guarantees, provides capital through the National Housing Bank for new housing finance companies. The expanded policy agenda includes increasing the financial resources available to the housing sector, expanding the number of market-oriented housing finance institutions, and expanding the supply of housing finance to poor income households.

Through training, technical assistance, policy dialogue and \$125 million in loan guarantees, USAID supports the development of India's long-term debt market by promoting and financing commercially viable, urban infrastructure bond issues. It also works with the Securities and Exchange Board of India (the equivalent of the U.S. Securities and Exchange Commission) to strengthen India's capital market regulations and procedures so that the securities industry can more effectively mobilize available private domestic and foreign institutional capital investment. Last year, this market issued over \$10 billion in new capital, and USAID's assistance will help establish a more effective regulatory and operating environment to mobilize even greater investment in the future.

To open the economy, USAID supports an initiative to encourage private foreign investment, particularly U.S. investment, in India's power sector. USAID provides loans, technical assistance and trade and investment tours to increase private (including U.S.) investment in the labor-intensive, agribusiness sector. This activity also promotes improved linkages between horticulture producers and domestic and export markets to increase rural incomes and employment. USAID funds economic policy dialogue, advocacy and training efforts to support the economic reform program by promoting privatization, trade and investment liberalization and financial sector reform.

**Indicators.** The performance indicators for this strategic objective are: to increase foreign direct investment approvals in power generation and agribusiness from \$175 million in 1991 to \$3.5 billion by 1998; increase foreign institutional investment from \$1.8 billion per year to approximately \$5 billion by 1989; increase to five the number of financial instruments mobilizing private capital for urban infrastructure; and increase the proportion of foreign trade to national income from 15% to 20%.

**Feasibility and Cost-effectiveness.** India is a large country where deeply entrenched and pervasive policy distortions still restrict competition, innovation and poverty-reducing economic growth. The benefits of even modest improvements in carefully selected areas can have an immediate, significant and sustainable impact on poverty reduction. USAID therefore targets policies and project opportunities that have strong multiplier effects on competition, innovation and job creation.

Promoting U.S.-India agribusiness collaborations, for example, takes advantage of the United States' strong comparative advantage in this industry, while promoting poverty-reducing growth in a labor-intensive subsector of the economy. Efforts in financial markets are similarly leveraged to maximize the poverty-reduction impacts. For example, through policy dialogue and pilot projects, USAID is helping to expand India's nascent municipal debt market as a source of long-term, private sector, financing for urban environmental infrastructure. This effort will spawn a municipal debt market which is vital to financing the future infrastructure needs of India's 30 cities with populations greater than a million. Another financial market activity builds on the United States' core competence in capital market regulation to facilitate billions of dollars of potential new private investment in Indian enterprise.

**Progress in 1993-94.** In recent years, USAID has made significant progress in a number of areas. Since 1979, when USAID's housing finance program began, private housing finance companies have increased from one to over 250, and loan volume increased from \$2 million to over \$2 billion serving more than a million households. USAID assistance helped to launch India's over-the-counter (OTC) stock market in 1993, and in 1993-1994 alone, this new "OTC" market raised \$29 million for 22 small enterprises. Other efforts to modernize securities industry regulations and institutions have helped India to manage the more than \$10 billion in new capital raised for Indian companies in 1993-1994. Forty-nine Indo-U.S. joint ventures promoted by USAID have increased U.S. exports and created jobs and investment opportunities in India. For example, a \$500,000 USAID investment in a single mushroom cultivation joint venture generated at least 1,000 permanent jobs and spurred another nine companies to launch similar mushroom projects. More than \$5 billion in potential U.S. foreign investment in India has resulted from assistance to the GOI to formulate appropriate policies and institutions.

**Donor Coordination.** The donor community in India works within the framework of the annual Consultative Group meetings organized by both the World Bank and the GOI. During these formal sessions, India's development problems and progress are reviewed, donor assistance is coordinated, and aid pledges are made. Throughout the year, USAID works closely with individual donors to coordinate and leverage USAID's modest resources. For example, in 1993-1994, USAID assisted the GOI's reforms by supporting the National Renewal Fund with P.L. 480 Title III local currency generations under a multi-donor package in which the World Bank served as the lead donor. Similarly, the Asian Development Bank provides policy-based lending for financial market reform for which USAID contributes technical assistance and training.

**Constraints.** Opportunities for USAID to promote growth and poverty-reduction through policy and institutional improvements are largely dependent on the GOI's continuation of the economic liberalization begun in 1991. Although a reversal is unlikely, should it occur, opportunities for assistance in financial markets and foreign investment promotion would diminish.

**STABILIZING WORLD POPULATION GROWTH (\$127,989,000)**

**SO 2. Reduced fertility in North India (\$42,136,000 is Population and \$85,853,000 is P.L. 480 Title II Humanitarian Assistance).**

About 16% of the world's population lives in India, but the country accounts for only 2.4% of the world's total land area. The population has doubled from 450 million in the 1960s to nearly a billion today. Total population is projected to reach 1.8 billion people before it stabilizes in 2088. As one of the world's poorest countries, India lacks the social and physical infrastructure required for its rapidly growing population and needed for continued economic growth. The gap between population growth and services is reflected in the low level of maternal and child health, extremely high rates of female illiteracy, and widespread unemployment. USAID therefore devotes the largest portion of its program in India to addressing the problem of population growth. Its current strategy focuses efforts on reducing fertility rates in North India, where growth rates are highest, by increasing contraceptive use, child survival and women's empowerment.

**Activities.** USAID is working with both government and independent, indigenous nongovernmental organizations (NGOs) to reduce fertility rates in Uttar Pradesh, which is India's most populous state with 140 million people. USAID aims to double the use of modern contraceptives over a 10-year period. It also supports social marketing throughout the state. USAID activities focus on making family planning information and services available to couples in small towns and villages and builds upon previous USAID assistance in contraceptive development and research. Using lessons learned from this family planning project, USAID plans to initiate in FY 1996 new activities in selected northern Indian states to deliver reproductive health care services and to improve the role and status of women.

Increasing the probability of survival to age five contributes to a reduction in fertility rates. Family size decisions are significantly affected by high infant mortality and malnutrition. USAID's P.L. 480 Title II food, nutrition and health care programs through the Cooperative for American Relief Everywhere (CARE) and the Catholic Relief Services (CRS) target high-risk children and pregnant and lactating mothers, and reach more than seven million people in 17 states. CARE supports India's integrated child development services, the largest child survival program in the world.

**Indicators.** The following indicators and targets measure achievement of this objective: The total fertility rate for Uttar Pradesh will be reduced from 4.8 in 1992 to 3.5 in the year 2001. By the year 2001 the fertility rates in other northern states of India will be reduced from 3.9 to 3.0 in Madhya Pradesh; 4.0 to 3.1 in Bihar; 2.9 to 2.0 in Orissa, and 3.6 to 2.7 in Rajasthan.

**Feasibility and Cost-effectiveness.** Project activities will increase contraceptive use in Uttar Pradesh by increasing access to and demand for quality, family planning services, particularly birth-spacing methods. The costs of improving contraceptive delivery, child spacing and child survival services in India are small in relation to the benefits of reduced costs in health, education and per capita income in the future.

**Progress in 1993-94.** In 1993-1994, USAID created an autonomous society in Uttar Pradesh to coordinate implementation of the large, 10-year, \$325 million family planning project. In 1994, the project held orientation workshops for all senior district officials and family planning service managers in 63 districts in Uttar Pradesh. The Indian Medical Association trained 3,000 member doctors on family planning counseling and the use of oral contraceptives. A number of NGOs received subgrants to expand service delivery. The USAID-supported National Family Planning Health Survey was completed, and valuable baseline data regarding demographic, health and nutrition status, fertility and family planning practices throughout India have been officially released by the GOI. District-level baseline surveys in 15 of Uttar Pradesh's 63 districts were completed, and results are being disseminated with assistance from the Population Council. An evaluation system for the 10-year project was designed and successfully tested. USAID conducted a major impact evaluation of the

CARE Title II program, and as a result, the GOI and CARE have agreed to phase out of three states to concentrate more resources in the poorest and neediest northern states.

**Donor Coordination.** USAID collaborates closely with both the World Bank, United Nations Fund for Population Activities (UNFPA) and United Nations International Children's Education Fund (UNICEF) on family planning and basic education programs for the state of Uttar Pradesh. USAID is currently working with the Japanese government aid agency to design a major new population project in North India. USAID is also collaborating with Japan on development of a National Institute of Biologicals, which will ensure the quality of all vaccines and other biological products produced or imported into India. USAID coordinates closely with the United Nations and bilateral donors, particularly UNICEF and the World Food Program, in providing assistance to India's integrated child development services program. USAID's partnership with private donor organizations, such as CARE and the Catholic Relief Services, includes joint development strategies, programs, budgets, and evaluations to ensure success of the large P. L. 480 Title II food program reaches underprivileged populations with nutrition and health interventions.

**Constraints.** The GOI's aggressive sterilization campaign of the early 1970's left family planning with a negative image, and the national family planning program still lacks broad community and political support. Currently, the GOI is placing greater emphasis on contraceptive technologies and demand generation. The government is also promoting a greatly expanded role for NGOs. For the potential of a successful USAID family planning program to be fully realized, continued open, political support and a stable Uttar Pradesh state government apparatus are required. The low economic, health and educational status of poor women also affects their ability to limit their family size.

#### PROTECTING THE ENVIRONMENT (\$18,260,000)

##### SO 3. Environmental protection increased in targeted sectors (\$18,260,000)

The combination of accelerated economic development and rapid population growth could precipitate an ecological crisis that reverses India's hard-won, economic gains and increases negative impacts on the global environment. Already the second fastest growing producer of greenhouse gases in the world, India could triple its emissions between 1987 and 2010 if there is no change in current practices. Carbon dioxide emissions are expected to double during the same period, and chloro-fluorocarbon (CFC) emissions, which cause ozone depletion, are growing rapidly. USAID's environmental protection activities address these serious environmental concerns, as well as the "brown" environmental concerns such as the lack of adequate basic urban infrastructure causes. At the same time, India is one of the foremost sources of the world's biodiversity and the origin of at least 20 important crop species, including rice, citrus (lemon and orange), banana, cucumber and millet. Loss of genetic diversity threatens many of these crops; deforestation and water pollution also threaten animal and plant diversity. One USAID project is designed specifically to gather and protect germplasm, both to preserve India's biodiversity, and to increase access to important plant species.

**Activities.** Power plants fueled with high ash coal are a major source of pollution in India. Increasing the percentage of power generated by clean technologies will decrease the volume of CO<sub>2</sub> emissions per unit of power generated. USAID promotes the development of innovative clean coal and renewable energy technologies. It is also helping to introduce efficient management and maintenance of existing electricity generation, transmission and distribution facilities. USAID-financed, hands-on technical assistance to state electricity boards and the GOI facilitates the evaluation and processing of the numerous pending private power investment proposals. Beginning in FY 1995, a new USAID initiative will focus on the commercialization of sugar bagasse-based energy cogeneration. USAID facilitates numerous Indo-U.S. trade and joint ventures in environmental technologies and services. USAID assistance also is developing urban environmental infrastructure through capital markets, addressing the need for clean water supply, waste water treatment and solid waste collection and disposal. Finally, USAID assistance is helping India to construct and equip a national genebank to preserve

germplasm. USAID provides technical assistance in managing the genebank system and carrying out joint exploration and collaborative research on bio-diversity issues of mutual Indo-U.S. interest.

**Indicators.** The following indicators and targets will measure achievement of this objective: (a) the percentage decrease in volume of CO2 emissions per unit of power generated will decline from 1.24 kg/kwh to an average of 1.04 kg/kwh by 2004; (b) 35% of power will be generated by "clean" technologies by 2004; (c) the number of germplasm accessions stored in genebanks will increase from 176,000 in 1994 to 800,000 in 2000. Quantifiable measures are still being developed for other indicators: increased amount of solid waste collected and disposed of, and waste water treated.

**Feasibility and Cost-effectiveness.** Power generation in India is only half as efficient as in the United States; a quarter of India's electricity is lost through transmission and distribution inefficiencies. The USAID program targets policies, regulations and technologies that can dramatically reduce the amount of air pollution per unit of power generated, in addition to promoting increased private investment in clean power generation. A principle criterion for USAID's pollution prevention activities is their potential to serve as catalysts to leverage expansion and follow-on activities which will be supported by other important donor organizations such as the World Bank and Asian Development Bank. Further, USAID assistance leverages private investment in cost-efficient public and private partnerships to develop, own and operate environmental urban services.

**Progress in 1993-1994.** USAID has leveraged additional Indian investments of more than \$4 million in air and water pollution control equipment and facilitated more than 40 business exchanges between the United States and India to explore environmental business opportunities. USAID has trained numerous Indians in the United States in environmental technologies. A total of 25 consortium projects have been funded for technology development in areas such as coal beneficiation. In the area of biodiversity, more than 175,000 germplasm accessions have been identified, collected, and stored for long-term preservation and future access. These plants are now safe from extinction and are being used to develop new and improved food, fodder and medicinal crops.

**Donor Coordination.** Multilateral development banks are preparing more than \$1 billion in new energy efficiency and environmental programs are in various stages of preparation by multilateral development banks. The World Bank's \$250 million industrial pollution control project strengthens the Pollution Control Board, finances pollution control devices with a focus on the chemical industry, and assists in the establishment of central effluent treatment plants. USAID coordinates with the Asian Development Bank on environmental projects, including one designed to develop environmentally sound coal technology. The EEC has installed an ambient air quality monitoring station in New Delhi and is cooperating in the area of industrial pollution control. Because of the considerable amount of donor activity on the environment, USAID maintains an active dialogue with other donors in this area.

**Constraints.** The GOI has stepped up spending on environmental protection and made significant advances in the nation's legal and regulatory framework for pollution control. However, the existing system of incentives and levies needs to be modified and strengthened to promote prevention. To accelerate pollution prevention, it will be important to develop an information strategy and clearing house to facilitate access of Indian business enterprise to cost-effective pollution prevention measures.

## ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$1,240,000)

### Cross-cutting Issues.

In addition to the objectives discussed above, USAID will address India's economic growth through AIDS prevention and control. AIDS is an increasingly serious problem in India, with an estimated 1.5 million Indians HIV positive and a potential 5 million by the turn of the century. AIDS threatens economic growth by placing tremendous demands on the health care system and debilitating many of the nation's people. USAID is helping India reduce the transmission of human immunodeficiency virus

(HIV) in the State of Tamil Nadu. USAID supports efforts by non-governmental organizations to initiate programs known to have a significant impact on the spread of AIDS: the use of condoms, the treatment of sexually transmitted diseases, and reduction in the number of partners. Behavioral and operational research, including market research, play a prominent role in the development and evaluation of all project interventions. Groups targeted by these programs include those shown to be at high risk of becoming infected with the AIDS virus (e.g., prostitutes and their clients and other sexually transmitted disease patients). Project beneficiaries include the entire population at risk, but more directly, the spouses, children and communities of the high-risk portions of the population.

#### Other Donor Resource Flows

In FY 1993, the United States provided about 2.6% of all donor assistance to India. Major donors are: the World Bank, the International Monetary Fund, the United Nations agencies, the Asian Development Bank, Japan, Germany and the United Kingdom. The United States, while not a major donor, is now India's largest trade and investment partner. Annual trade between the two countries is valued at about \$8.0 billion.

**INDIA**  
**FY 1996 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	Total
<b>USAID Strategic Objectives</b>						
1. Increased Compensation and Innovation in Selected Areas	8,797,000					8,797,000
2. Reduced Fertility in North India						
Development Assistance		42,136,000				42,136,000
P.L. 480 Title II					85,853,000	85,853,000
3. Environmental Protection Increased in Targeted Sectors			18,260,000			18,260,000
Cross-cutting Issues						
AIDS Prevention	1,240,000					1,240,000
Total, of which:	10,037,000	42,136,000	18,260,000		85,853,000	156,286,000
Development Assistance	10,037,000	42,136,000	18,260,000		0	70,433,000
P.L. 480 Title II	0	0	0		85,853,000	85,853,000

USAID Mission Director: Walter G. Bollinger

## INDONESIA

FY 1996 Development Assistance Fund Request	\$61,391,000
FY 1996 P.L. 480 Title II Request	\$1,863,000

Indonesia's strategic location, rich resource endowment, large population, rapid growth, and expanding markets all combine to underscore the United States' compelling interest in Indonesia's development and stability. With nearly 200 million people spread across a vast archipelago, and the world's largest Moslem population, Indonesia's stable development has important implications for global and regional prosperity and security. Given its large natural and human resource base and its past record of economic growth, Indonesia has the potential to become a major economic force in Asia. With the United States supplying nearly 12% of Indonesia's imports and a substantial share of its foreign investment, sustained growth in Indonesia will expand opportunities for U.S. businesses and create new jobs for American workers. Americans also stand to gain from encouraging the peaceful transition to a more open and representative political system in Indonesia.

The Government of Indonesia (GOI) has set an ambitious goal of reaching \$2600 in income per capita by the year 2020 from \$700 today. To reach this target, Indonesia has to achieve an average annual growth rate of approximately 7% over the next quarter century. Indonesia has reasonable prospects of realizing its goal. Gross Domestic Product (GDP) growth over the past 25 years averaged almost 7% a year, enabling a dramatic improvement in living standards. Poverty has declined from 60% of the population in 1970 to 15% in 1990, one of the most dramatic achievements recorded anywhere. The infant mortality rate, 132 per thousand births in 1960, dropped to 68 by 1991, and the total fertility rate dropped nearly in half from 5.6 in 1971 to 2.9 in 1994. Prudent macroeconomic policies, substantial investment in economic and social infrastructure and, since the mid-1980s, structural reforms that induced a shift away from capital-intensive, inward-looking activities towards outward-oriented, labor-intensive activities were key elements of Indonesia's successful development over the past 25 years.

While Indonesia's potential is great, so are its challenges. Achieving high growth based on environmentally sustainable resource use requires prudent, yet wide-ranging policy change combined with wise investments in infrastructure, human resource and institutional development. In the political sphere, Indonesia must make the transition to a more open and democratic system. Broadening the democratic participation of Indonesian citizens and civic groups while promoting market-oriented, environmentally sustainable economic growth are mutually reinforcing objectives, and it is in the strategic interest of the United States to assist Indonesia in achieving them. USAID technical assistance has been central to helping Indonesia proceed on the long road to reform. Continued assistance will consolidate the gains of the past and help Indonesia become a full trading partner endowed with an open economy and mindful of the benefits of an open society.

#### The Development Challenge.

Despite its impressive progress, Indonesia's economic and political challenges remain great. There are nearly 27 million people who are still living in poverty. Their livelihood and that of their children depends on the economy's capacity to generate new employment opportunities. Just to absorb the large increases in its labor force, Indonesia must create over 20 million jobs during the next decade. At the same time, worker productivity and wages must increase if the sources and benefits of growth are to be widely spread. The quantity and efficiency of public and private investment must be increased, incentives restructured, and institutions supporting productive activity strengthened in order to sustain broad-based growth and poverty reduction. To increase productive efficiency, stimulate healthy competition, and promote Indonesia's integration into the global and regional economy, barriers to trade and investment must continue to be dismantled. The GOI must also continue to implement fiscal and monetary policies which ensure macroeconomic stability, and introduce new policies and regulations needed to encourage the expansion and deepening of financial markets. Maintaining

growth and stability, removing distortions to trade, encouraging fair competition, while responding to the demands for greater social and political equity, are critical challenges which Indonesia's economic actors and policymakers face in the years ahead.

While economic growth is vital to Indonesia's success in raising living standards and reducing poverty, to be sustainable, it cannot occur at the expense of Indonesia's vast, but increasingly threatened, natural resource base. Indonesia's environmental treasures include the world's second largest tropical rainforest and the world's longest coastline with extensive coral reefs and other marine resources. In the past, Indonesia's industrialization has been fueled in large part by exploitation of its renewable and non-renewable natural resources. Now its major challenge is to shift away from unsustainable, resource-depleting growth towards strategies which encourage more efficient and sustainable use of natural resources.

The rapid pace of urbanization similarly puts tremendous strains on the environment. By the year 2000, Indonesia's urban population will increase to over 90 million, approximately 44% of the total. The rapid rate of urban population growth has outstripped the GOI's capacity to finance investments in urban infrastructure through its development budget. For example, the cumulative cost of providing piped water over the next 10 years to achieve target coverage of 85% of the urban population is estimated at nearly \$9 billion, while GOI allocations for new water supply are forecast to be about \$4.2 billion, leaving an investment gap of almost \$5 billion. Environmental degradation, particularly contamination of surface and ground water resources from the discharge of untreated household wastes, is emerging as the most serious consequences of inadequate urban infrastructure investment. There has been growing recognition among top policy makers that the central government can no longer afford to continue financing environmental infrastructure investments from central grants. Only by accessing alternative sources of infrastructure finance can the delivery of basic urban services be extended to the urban poor.

Indonesia's success in increasing the availability of basic social services is among the best in the developing world. The country has nearly universal primary school enrollment for both sexes, an accomplishment which contributed significantly to the progress it has made in reducing poverty. Now, however, Indonesia must expand school enrollment to the next level. Currently, only 61% of the pupils complete primary school, and of those less than 65% continue on to junior secondary school. Another major challenge involves increasing the demand for and quality of Indonesia's health and family planning services. Despite having one of the most successful family planning programs of any developing country, Indonesia's reproductive health care system remains inadequate as evidenced by its exceptionally high maternal mortality rate. While the GOI and the non-governmental organization (NGO) community are committed to meeting these challenges, their success will require substantial public and private sector investments, better targeting of public resources, restructured incentives, and strengthened public and private institutions.

Indonesia's economic achievements under the "New Order" regime have been truly impressive. There is no denying, however, that political freedoms and the development of democratic institutions have not kept pace with the country's economic gains. Growing incomes and increased economic welfare invariably give rise to demands for greater political freedoms and participation. As such, Indonesia is at a critical crossroads in its political development. The challenge facing the government, civic community, advocacy groups, and citizenry is how to make the transition to democracy a peaceful one. The political upheaval and violence of the mid-1960s are painful reminders of the cost of failing to meet this challenge. Human rights advocates and civic groups promoting democratic reforms look to the United States for leadership and support. It is clearly in the U.S. interest to continue to provide assistance to Indonesia in order to increase citizens' rights and civic participation and to encourage legal and political reforms which support the smooth transition to a prosperous, democratic society.

**Strategic Objectives (SOs).**

The USAID program goal is broad-based and sustainable economic growth in Indonesia. This goal supports Indonesia's target of achieving a per capita income of \$1,000 by the year 2000, rising to \$2,600 by the year 2020. To attain growth sufficient to meet this target, Indonesia will need to: (1) develop a more competitive, participatory economy; (2) improve health and reduce fertility; (3) reduce the rate of degradation of natural resources and the environment; and (4) enhance democratic participation and rule of law. These four strategic objectives (SOs) underpin USAID's program goal in Indonesia and support the Agency's goals as well.

**ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$13,049,000).****SO 1. Develop a more competitive, participatory economy (\$13,049,000).**

Achieving the above targeted increase in per capita income will require a sustained annual growth rate of between 6% and 7% with commensurate improvements in the participation of the poor and of the poorer regions of Indonesia. USAID's strategic objective of promoting the development of a more competitive, participatory economy supports these objectives and is an integral part of its overall development assistance strategy. USAID's program in support of this objective consists of primarily policy-based technical assistance, which leverages scarce resources and takes advantage of a special niche which U. S. technical assistance has in Indonesia.

Activities. USAID provides technical assistance to support policy, legal, and institutional reforms. Policies targeted are those affecting the efficiency of public and private investment, market competition and openness, decentralization, the financing of social and urban environmental infrastructure, and microenterprise development. For example, U.S. legal experts are assisting the GOI to modernize its commercial codes and to develop a modern legal information system, in order to encourage efficient private investment and trade and to broaden economic opportunities. USAID policy assistance also supports Indonesia's efforts to deregulate domestic and international trade and to develop the analytical and institutional capacity to further the transition to an open, market-oriented economy. To help meet the immense infrastructure needs of Indonesia's rapidly growing urban and industrial sectors, and to improve the efficiency of resource allocation, U.S. technical assistance is helping the GOI access alternative sources of infrastructure finance such as local resource mobilization, domestic credit, and private investment, to reduce dependence on central grants and foreign loans for investment in urban and environmental infrastructure. U.S.-GOI jointly-funded advisors from the Internal Revenue Service are assisting the Department of Taxation to increase the efficiency of income tax administration, an effort critical to reducing reliance on tariffs and other distortive taxes.

Indicators. USAID indicators for measuring progress toward this objective over the next five years are: (1) steady growth of the real wage rate and a narrowing of the gender-based wage differential (per annum average growth rate of 0.3% for males and 0.7% for females); (2) a modest increase in the real rate of investment (estimated at 10.7% per annum); (3) higher real GDP growth of approximately 9% per annum for five of the poorest regions in Indonesia; and (4) sustained growth of about 10% per year in non-oil exports (expected to be matched by import growth).

Feasibility and Cost-effectiveness. This effort is feasible because Indonesia has demonstrated its capacity to achieve significant growth with poverty reduction and is committed to making further progress over the next 25 years. Its success depends on its ability to effect bold policy change based on informed analysis and public dialogue, and to implement these reforms via strengthened economic institutions. While Indonesia has made progress in developing its human resource capacity, the layer of competent analysts is still very thin. At the same time, the next layer of economic development problems and policy changes required are ever more complex and risky, making the potential cost of policy mistakes much greater. USAID's niche lies in its ability to provide highly competent technical advisors whose knowledge and expertise can contribute critically to the policy dialogue and institutional

development, resulting in improved policies and strengthened institutions. The Indonesian government, private sector, and NGO community seek and are highly receptive to U.S. technical assistance. This gives USAID a special advantage in effecting meaningful policy and institutional change in Indonesia--and one which earns us very high returns on our modest investments.

Progress in FY 1993-1994. Indonesia made considerable progress towards the development of a more competitive, participatory economy in 1993/94. Real GDP grew by 6.7% in 1993 and is estimated to be the same in 1994, while inflation in both years was kept below 10%. Improved tax administration, taxpayer compliance, and a growing tax base contributed to a whopping 25% growth in non-oil tax revenues in FY 1993-1994. Indonesia was a full and active participant in the General Agreement on Tariffs and Trade (GATT) Uruguay Round negotiations, and for the first time, agreed to bind over 90% of its tariffs. The June deregulation package reduced tariffs on 739 items and abolished 108 tariff surcharges--liberalization which extends beyond Indonesia's GATT and World Trade Organization obligations. New measures to increase foreign investment were announced in June: the minimum investment requirement for 100% foreign ownership was removed and divestiture requirements greatly reduced. Foreign investment picked up strongly following the deregulation. Indonesia's leadership in Asia-Pacific Economic Cooperation (APEC) and support for a bold agreement to liberalize trade in the Asia-Pacific region augurs well for further deregulation of Indonesia's trade and investment regime. In October, Indonesia successfully launched a major public offering of shares in its state-owned telecommunications firm, and is preparing to do the same for other state-owned companies. USAID's technical assistance contributed to all of these accomplishments.

Donor Coordination. USAID's work to promote a more competitive, participatory economy via policy and institutional reform is complemented by the work of other donors. In several instances, pioneer USAID activities have led to sizable follow-on projects funded by larger donors (the multilateral organizations and Japan). In many cases, USAID's technical support on policy and institutional issues greatly increases the returns to other donor-supported investments.

While World Bank economists play an important role in analyzing key macroeconomic and sectoral developments and policy issues, operational constraints limit the Bank's ability to provide technical assistance. Thus, USAID's technical assistance support for policy and institutional reform is highly appreciated by the Bank and other donors who count on the United States to provide leadership in this area. A few bilateral donors, e.g., the Germans, British, and Japanese, also provide some in-country policy assistance in support of developing a more competitive, participatory economy.

Both the World Bank and the Asian Development Bank (ADB) provide substantial loan assistance for infrastructure development. Their staff consult frequently with USAID personnel whose in-country expertise is critical to understanding and reforming the policy and regulatory framework for such investment. For example, USAID's technical support for development of the Regional Development Account paved the way for the ADB to provide direct financing to cities and regions for urban water and sewerage projects.

The International Labor Organization (ILO) is helping to identify policy and institutional issues which need to be addressed in formulating Indonesia's microenterprise policies and programs. The ADB also supports microenterprise development: the design of its new \$26 million loan-funded microcredit project drew substantially on USAID's highly successful experience in this field. The World Bank is planning to support policy work initiated by USAID to strengthen the development of Indonesia's financial markets.

Constraints. Indonesia's capacity to increase economic competitiveness and expand productive opportunities is constrained by low educational attainment, poor quality health care, policy-induced distortions, outdated commercial laws, and weak institutions. In addition, Indonesia's prospects for accessing alternative sources of infrastructure financing are constrained by weak local government institutions, lack of term financing in the capital market, and a resistance in the central government

to shifting from direct provision to an enabling approach to service delivery. Helping tackle these formidable constraints--through technical assistance for economic policy and legal reforms, complemented by assistance to strengthen local capacity to conduct sound policy analysis, formulation, and implementation--builds on the strong U.S. reputation in providing leadership in this sphere.

#### **STABILIZING POPULATION GROWTH (\$14,683,000).**

##### **SO 2. Improve health and reduce fertility by stabilizing population growth and encouraging broad-based economic growth (\$14,683,000).**

Improving health and reducing the fertility rate will have a direct bearing on the ability of Indonesia to sustain its economic growth. Despite tremendous strides in the 1970s and 1980s in developing a comprehensive system of health and family planning service delivery, there are sharp differences in both the total fertility rates and the infant mortality rates across the country. Both the infant and maternal mortality rates are the highest among countries in the Association of Southeast Asian Nations (ASEAN) region. In order to reach Indonesia's fertility goal of approximately 2.1 births per woman by the year 2005, contraceptive prevalence must rise from 55% to more than 60% of married women by the year 2005. This will require increased reliance on private sector services and increased use of long-term methods.

The prevalence of sexually transmitted diseases among high risk groups is high and reported human immunodeficiency virus (HIV) positive cases are increasing exponentially. The HIV and acquired immunodeficiency syndrome (AIDS) epidemic threatens not only the health of individuals, but potentially also the future economic viability of the country.

Activities. The Indonesian family planning program has gained world recognition for its success in reducing fertility in the last two decades. This reduction has been due primarily to the rapid increase in contraceptive use, from less than 10% of married women age 15-49 in 1971 to 55% in 1994. To help Indonesia achieve its goal of a two-child family size by the year 2005, USAID is focusing its efforts on increasing contraceptive use in the most heavily populated provinces and among hard-to-reach groups; increasing the availability, utilization and quality of long-term family planning methods; and improving the sustainability and impact of family planning services delivered through non-governmental organizations (NGOs) and the commercial sector.

Infant mortality has declined dramatically in the last 20 years--from 132 per 1000 in 1971 to 68 in 1991. Yet Indonesia continues to have the highest infant and maternal mortality rates in the ASEAN region. USAID has supported programs designed to improve national health policy and test viable maternal and child health models in areas such as oral rehydration therapy delivery, immunization and micronutrients. To help develop a more sustainable health care system, programs in managed health care, hospital cost-recovery and rational pharmaceutical utilization have been developed and are being implemented on a pilot basis.

As of November 30, 1994, Indonesia had 266 officially reported and confirmed cases of HIV infection, including 67 confirmed cases of AIDS. The GOI currently estimates that there are 60,000 HIV positive people; the World Health Organization (WHO) estimates there may be as many as 75,000 people currently with HIV/AIDS, with a doubling time of less than six months. USAID is initiating HIV/AIDS prevention activities focusing on policy support, information and education, condom promotion, and control of sexually transmitted diseases (STDs).

Indicators. The indicators for measuring progress toward achieving this objective are: (1) to reduce the total fertility rate from 2.86 in 1994 to 2.70 in 1996, (2) to decrease the syphilis prevalence rate among high risk population in demonstration areas from 20% in 1994 to 10% in 1996, and (3) to reduce the maternal mortality rate per 100,000 live births from 450 in 1994 to 400 in 1996.

**Feasibility and Cost-effectiveness.** All aspects of this objective are covered under Indonesia's five-year development plan and national policies and political support exists in all areas. Lowering the fertility rate and improving maternal and child health will act synergistically to decrease demand for expensive curative services. HIV/AIDS prevention activities and interventions are much more cost-effective than managing the care of AIDS victims. USAID's contributions to family planning, maternal and child health and HIV/AIDS/STD prevention are small in relation to the benefits of future reduced costs of providing health and other social services to a smaller and healthier population.

**Progress in 1993-1994.** In 1993-1994, the GOI initiated a change in focus from contraceptive use targets to a much broader range of client-centered activities which includes: a comprehensive variety of contraceptive choices, reproductive health, and a wide range of social and economic improvements for women and the family. Supported by USAID, the GOI has established three new policies promoting improved maternal health care: establishment of standards for quality prenatal care, increased training and deployment of village midwives, and establishment of additional birthing houses. In mid-1994 the GOI established a multi-ministerial AIDS Coordinating Committee and issued a National AIDS Control Strategy--both positive steps which will enhance implementation of USAID's new HIV/AIDS program.

**Donor Coordination.** In HIV/AIDS/STD prevention, USAID has collaborated extensively with the Australians, the Germans, the Japanese, and with the WHO, the United Nations Development Program (UNDP) and the World Bank in development of their respective projects and activities totaling well over \$100 million. In maternal and child health, both the Australians and the Japanese are developing integrated provincial activities in Sulawesi, totaling approximately \$30 million. These complement and provide substantial opportunity for collaboration with USAID's MotherCare activities in South Kalimantan. Numerous discussions and information sharing with the World Bank have resulted in replication of the Klaten (Central Java) health sector financing model for managed health care in the five provinces covered under a major new World Bank project. USAID is also currently considering providing technical assistance to complement and assist this World Bank Project in five provinces. In family planning and population, USAID works closely with the World Bank, the United Nations Fund for Population Assistance (UNFPA), the Ford Foundation and the Japanese.

**Constraints.** Since the creation of the Ministry of Population in 1993, the focus on family planning objectives has become secondary to broader family well-being goals. This, combined with the recent drop-off in use of inter-uterine devices (IUDs) as a contraceptive method, has resulted in reduced long-term method use, which in fact must increase if fertility reduction objectives are to be achieved.

While top policy makers are beginning to understand the enormous burden which a major AIDS epidemic would impose on Indonesia, they are reluctant to confront and address the need to promote condoms for disease control, the existence and extent of Indonesia's commercial sex industry, and the high prevalence of extramarital sex.

## **PROTECTING THE ENVIRONMENT (\$25,336,000).**

### **SO 3: Reduce the rate of degradation of natural resources and the environment (\$25,336,000).**

Pressure on Indonesia's natural and biological resources (the most extensive in Asia) is intense and growing. Many of Indonesia's development problems are directly linked to the economy's reliance on processing primary products and to the urban population's increasing demand for potable water. With rapid urbanization and industrialization, the country faces a formidable challenge to preserve its natural resource base and to reduce pollution while sustaining economic growth and improving the well-being of Indonesians. Positive actions in this area will have a impact globally as well as nationally.

**Activities.** The GOI's current strategy to achieve high economic growth through greater reliance on diversified exports is heavily dependent on successful management of its rich natural resource base. However, several serious issues have surfaced: deforestation, industrial pollution, and urban

environmental degradation, loss of biodiversity, degradation of water and land resources, and destruction of coral reefs. USAID's strategy focuses on regulatory and institutional change and supports pilot activities, the successful outcome of which influence policy and thereby achieve more wide-reaching results. USAID has funded activities to stimulate community participation in the management of natural resources such as the Bunaken Manado Tua National Park (coral reefs management) in North Sulawesi and the Bukit Baka-Bukit Raya National Park (traditional forest concept area inside forest concession) in Kalimantan. Current efforts concentrate on the adoption of improved policy, management, and financial practices at grassroots, local, and central government levels.

Indicators. The indicators for measuring progress toward achieving this objective by the year 2000 are: (1) reduced rate of conversion of natural forests to agricultural and other uses from a current rate of 1,000,000 hectares per year to 600,000 hectares per year, (2) improved surface water quality (measured by a reduction in the Biochemical Oxygen Demand from its current level of 43,453 tons/year to 32,000 tons/year in 2000 and a reduction in the Chemical Oxygen Demand from 108,000 tons/year to 80,000 tons/year by the same year, and (3) increased real per capita investment in urban environmental infrastructure and services from 13,400 rupiahs/capita in 1991/2 to 28,500 rupiahs/capita in the year 2000.

Feasibility and Cost-effectiveness. There is a growing awareness in Indonesia of the economic and ecological importance of natural forests. However, pressure to convert forests to other uses remains quite strong. The targeted reduction in the rate of deforestation is ambitious but feasible and economically viable.

Improving surface water quality by reducing pollutants is feasible and highly cost-effective. The GOI has adopted industrial waste minimization as a national strategy. The private sector has provided substantial support to the program. Many pilot factories have enjoyed environmental and economic benefits by adopting new waste minimization techniques. We expect the government and the private sector will continue to direct substantial human and financial resources to this sector.

The lack of basic services is having a tremendous negative impact on the urban environment. Water sources are diminishing or unusable due to pollution. Sanitation systems are poorly designed or nonexistent. Solid waste facilities are overburdened or ineffective. In response, Indonesia is creating a system to increase urban infrastructure expenditures by decentralizing municipal finance and planning and by increasing investment from the private sector.

Progress in FY 1993-1994. A major accomplishment was the establishment of new baseline data on the extent of forests--113 million hectares. Considerable progress was also made with the assistance of USAID advisors in promoting new policies and practices to encourage community participation in managing forests, parks, and local environmental infrastructure investments. Establishment of the independent grant-making Biodiversity Foundation, funded in part by USAID, was particularly significant. Field trials and economic studies indicated significant opportunities to reduce logging waste and to develop higher-value forestry products. USAID sponsored 20 waste minimization assessments (pulp and paper, metal finishing, textile finishing) plus related workshops and training sessions. Application of these findings will slow the rate of deforestation and reduce the pollution of urban water sources.

U.S. technical assistance has been instrumental in facilitating GOI agreement on establishing a transparent enabling framework which is needed to attract private investment and improve public investment in urban services. The United States-Asia Environmental Partnership (USAEP) has supported U.S. sales in the delivery of municipal services, providing outreach and counselling to more than 50 U.S. firms which has already resulted in \$5.5 million in contract awards, and an anticipated \$22 million in early 1995. This USAID-supported assistance has led to a 13% increase in urban environmental infrastructure investment over last year. Urban households served by piped water increased by about 8% over the same period. Increased expenditure on urban infrastructure, together

with more effective use of these funds, continues to bring about improved access to safe water, sanitation, drainage and solid waste disposal, which in turn is leading to improved health, especially for women and children; and to increased urban employment opportunities and economic growth.

Donor Coordination. Donor coordination is continuing to expand on several fronts: (1) a World Bank loan to co-finance farmers' training and extension activities identified in USAID's integrated pest management program; (2) Asian Development Bank (ADB) financing of technical assistance for local governments to prepare proposals for loans for urban environmental infrastructure, partially supported by the USAID Housing Guaranty program; (3) Japanese Government financing for complementary activities in degree training, applied research and nature conservation to support the implementation of the new Indonesian Biodiversity Conservation Program for NGOs, scientists and others; (4) the World Bank and USAID's collaboration to promote improved forest management policies; (5) training for local government officials to improve municipal management and urban environmental practices sponsored by the USAID and the World Bank; and (6) World Bank support to complement USAID's efforts in promoting renewable energy.

Constraints. Establishing an accurate and cost-effective forest monitoring system is a significant challenge. Adoption of politically sensitive forestry policies, such as forest resource use and extraction rights for indigenous communities, reducing production subsidies, and a more open policy debate will require a carefully crafted, step-by-step approach. Overall public and private funding is insufficient to meet the growing needs of waste minimization demands. Also, resources move through different mechanisms which makes coordination difficult. As Indonesia decentralizes responsibility for infrastructure investment from central to local governments, experience in other countries suggests that there may be a slow-down in implementation as the executive capacity of local governments may temporarily fall below that of central government.

#### **BUILDING DEMOCRACY (\$8,323,000).**

##### **SO 4: Enhance democratic participation and the rule of law (\$8,323,000).**

As Indonesia develops economically, the need for a more open, pluralistic system to involve Indonesia's diverse population in the civil society becomes more urgent. Without a more transparent and participatory political system, sustainable economic growth is in jeopardy. Fundamental freedoms common in the West remain limited in Indonesia, and most observers expect the central government to hold tight rein on political activity for the foreseeable future. Nonetheless, there are opportunities for key institutions in and outside the GOI to promote individual initiative and participation in public policy and decision-making. As the number and capabilities of these institutions increase, greater citizens' rights and civic participation will occur.

Activities. Over the past several years, USAID has directed increased attention and resources toward activities which encourage greater citizen participation in public decision-making and increase access to legal information. U.S. concern over human rights issues in East Timor has been marked by significantly increased USAID funding for activities promoting Timorese development. Current program activities focus on increasing the effectiveness of key institutions such as NGOs, unions, the independent media, and legal groups. These institutions provide important leverage in promoting citizens' rights through institution strengthening and expanded opportunities for participation. A new project will begin implementation in FY 1995.

Indicators. USAID has been using the following key indicators for measuring progress toward this objective: (1) increased NGO mobilization of public opinion through surveys, seminars, and publications; and increased NGO advocacy campaigns in the areas of human rights, environment, labor and independent media; (2) increased awareness of existing laws through the efforts of selected NGOs and government agencies; and (3) more alternative dispute resolution mechanisms and increased usage. However, the mission is currently designing an updated democracy program which will

incorporate revised, quantitative measures of progress in achieving the strategic objective. These indicators will be reviewed and approved in April 1995.

Feasibility and Cost-effectiveness. The GOI's reaction to changes leading to a more open, pluralistic system has been mixed. The government recently banned three prominent publications and detained those who protested that action. On the other hand, the GOI created the National Human Rights Commission which has demonstrated a significant degree of independence and influence; the military has taken disciplinary action in several well-publicized cases against members charged with human rights violations; and the parliament has taken a slightly more independent, activist stance on corruption and economic development planning. The GOI's commitment to a process of decentralizing responsibility for planning and managing urban development programs also has possible implications for increased civic participation.

The NGO community is growing larger, more vocal, and more skilled at bringing citizen concerns to public and GOI attention. The GOI actively supports NGO participation in development and poverty alleviation, and recognizes that NGOs can frequently identify problems at the grassroots level and provide special, pilot services and programs beyond the government's capacity. NGOs offering programs in legal and workers' rights, environmental and consumer protection, and land tenure, however, are sometimes challenged by the GOI. USAID's NGO program is relatively low-cost and flexible, allowing us to respond quickly, as circumstances require, as for example in East Timor.

Progress in FY 1993-1994. Twenty-two ongoing NGO grants funded by USAID have a primary or secondary focus on citizens' rights and civic participation. Training and technical assistance has strengthened these NGOs, and as a result, constituents and their ideas are better represented in a variety of areas: in the press as a result of journalism training; in parliament as a result of improved information services to members; workers' rights as a result of trade union training; consumer rights advocacy; human rights protection, legal aid services and legal research; and grassroots economic development activities which are responsive to locally determined priorities.

USAID continued assisting the GOI in developing a legal framework which will allow legislators, economic policy makers, government legal bureaus, businessmen, and the public to understand existing laws and regulations, and help them to avoid inconsistencies and contradictory policies in the development and implementation of the law. It is anticipated that this will lead to more public confidence in the legal system, reduce barriers to foreign and domestic business entry into economic activity, reduce costs incurred in economic transactions, and help to prevent unfair practices that create a gap between the privileged and nonprivileged in the society.

Donor Coordination. The World Bank has established a team on legal reform, which is a priority area in the current GOI Five-Year Development Plan. UNDP is orienting its programs more toward good governance, human rights, and advocacy. The ILO has a particular interest in workers' rights and union participation. Some bilateral donors (for example, the Canadians) are in the process of developing strategies for human rights, good governance and democratization. Other bilateral donors (the Scandinavian countries), foundations and private voluntary organizations have also begun to provide assistance to Indonesia in areas related to democratization and human rights.

Constraints. Progress in this area is contingent on a gradual evolution toward greater openness by the GOI, and conversely, any government clampdown on NGOs would seriously hinder USAID programs. Vested interests may attempt to prevent the GOI from improving access to legal documents in order to maintain their dominant position in the economic and political system.

**PROVIDING HUMANITARIAN ASSISTANCE (\$1,863,000).**

These funds, which represent the final P.L. 480 Title II resources for Indonesia, will be used to phase-out Food for Work and Mother-Child Health programs implemented by Catholic Relief Services. These programs also respectively support SOs 1 and 2.

#### Other Donor Resource Flows.

In 1993 Indonesia received \$2.02 billion in overseas development assistance (ODA). The largest donor was Japan, with \$1.149 billion, followed by Germany, with \$279 million; France, with \$114 million, Austria, with \$96 million; and Australia, with \$85 million.

#### INDONESIA FY 1996 PROGRAM SUMMARY

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Providing Humanit- arian Assistance	Total
USAID Strategic Objectives						
1. Develop a more competitive, participatory economy	13,049,000					13,049,000
2. Improve Health and Reduce Fertility		14,683,000				14,683,000
3. Reduce the rate of degradation of natural resources and the environment			25,336,000			25,336,000
4. Enhance democratic participation and the rule of law				8,323,000		8,323,000
Total	13,049,000	14,683,000	25,336,000	8,323,000		61,391,000
P.L. 480 Title II					1,863,000	1,863,000

USAID Mission Director: Charles F. Weden

## ISRAEL

FY 1996 Economic Support Fund Request . . . . . \$1,200,000,000

U.S. assistance to Israel supports the peace process in the Middle East initiated at Camp David when Egypt and Israel signed the Peace Accords. The process has moved forward with Israel's signing of the Declaration of Principles with the Palestinians on September 13, 1993, and signature of the Peace Treaty with the Jordanians on October 17, 1994. Israel retains the only fully democratic form of government in the region. Its political and economic stability continues to be important in furthering U.S. foreign policy objectives in the Middle East.

#### The Development Challenge

The structure of the USAID program for Israel is atypical of other USAID assistance programs in that there is neither projectized assistance nor USAID staff in Israel for this program. Rather, the program supports the implementation of the historic Camp David accords and provides Israel with an annual cash transfer. Hence, there are no structured specific objectives.

#### ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$1,200,000,000)

**Activities.** A key USAID objective in Israel is to support Israel's balance-of-payments as it continues to pursue the economic reforms required for financial stability and structural adjustments needed for rapid sustainable growth. Though the U.S. cash transfer is not conditioned on economic policy reform, the ongoing U.S. State Department-chaired Joint Economic Development Group encourages Israeli reforms to reduce government spending and deficits, improve tax and public wage structures, increase privatization, reform labor markets and continue to liberalize its trade regime. The cash transfer is used by Israel primarily for repayment of debt to the United States, including Foreign Military Sales debt, and purchases of goods and services from the United States.

**Indicators.** Quantitative indicators of progress for Israel's economic growth and progress with economic reforms are improved export competitiveness and reduced inflation.

**Feasibility and Cost-effectiveness.** The projected increase in foreign exchange earnings from export growth, and from increased numbers of visitors staying longer and spending more as a result of the accelerating peace process is a feasible target. The GOI's resultant ability to forge new relationships with its neighbors provides further stimulus for exporting goods. Eased border crossings are another result of the peace process and also are expected to encourage increased tourism.

**Progress in 1993-1994.** There has been some success in stabilizing the economy of the Government of Israel (GOI) in spite of the inflow of immigrants which has increased the population by two percent per annum. Employment has risen, and export competitiveness has improved. However, inflation has been increasing. Unemployment has declined since 1993. Expanding business investment and governmental infrastructure investment coupled with sustained export growth are projected to maintain the gross domestic product growth rate at about five percent.

**Constraints.** Structural adjustment will require greater liberalization and restructuring of the large public sector, through expenditure reductions and privatization of public sector enterprises, both of which are political obstacles.

#### Other Donor Resource Flows

The United States remains the largest bilateral donor. Germany, France, Netherlands and Switzerland also are major donors.

**ISRAEL  
FY 1996 PROGRAM SUMMARY**

	Encoureging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Total
<b>USAID Strategic Objective</b>					
1. Support policy reforms required for financial stability and structural adjustments needed for rapid sustainable growth.	1,200,000,000				1,200,000,000
<b>Total</b>	<b>1,200,000,000</b>				<b>1,200,000,000</b>

Office of Middle East Affairs Director: Philip Gan

## JORDAN

FY 1996 Economic Support Fund Request . . . . .	\$7,200,000
FY 1996 Development Assistance Fund Request . . . . .	\$7,858,000

Jordan is a small, Middle Eastern kingdom which has common borders with Israel, Syria, Iraq and Saudi Arabia. Because of its strategic location, Jordan has historically played an important political role in the region. The signing of a peace treaty with Israel in October 1994 reinforced that role and provided a new impetus to the Middle East peace process. Triggered by the signing of the peace treaty, the U.S. Government has forgiven Jordan \$220 million in debt. This supports USAID's objective to encourage economic growth in the country. With a constitutional monarchy and a bicameral legislature, Jordan has set a democratic standard for the rest of the Arab world. But Jordan's fledgling democracy, ability to "wage peace" and continuing efforts in the regional peace process will depend on political and economic stability, which can only be achieved with U.S. and other donor assistance.

**The Development Challenge**

Jordan has few natural resources, primarily phosphate, potash from the Dead Sea, and a few other products such as limestone. About the size of Indiana, Jordan covers approximately 35,000 square miles of land, but only about eight percent is arable. Population growth has put tremendous pressure on water, Jordan's most scarce resource. Water from aquifers and surface sources is extremely limited and must be conserved. Jordan's 4.1 million population is growing at the annual rate of 3.4 to 3.6 percent per year, which is one of the highest population growth rates in the world. At the present annual rate, the population is expected to increase to six million by the year 2000. Population growth has seriously taxed Jordan's economy, which has long relied on regional aid, remittances and trade with other Arab countries, and Jordan must continue to diversify its exports and increase its foreign exchange earnings. Jordan is faced with restructuring its economy so that its most abundant resource, its now under-utilized educated labor force, can be productively employed to increase exports of goods and services. In addition to the macroeconomic adjustment now underway, Jordan must create a policy, administrative and financial climate conducive to the production of goods and services of internationally competitive standards. This is vital to Jordan's long-term economic and political stability, and its ability to reap the benefits of the peace with Israel.

**Strategic Objectives (SOs).**

USAID is pursuing three strategic objectives aimed at the three primary threats to Jordan's economic growth:

**ENCOURAGING BROAD-BASED ECONOMIC GROWTH** (\$8,200,000 of which \$7,200,000 ESF and \$1,000,000 DAF).

**SO 1. Increased foreign exchange earnings from selected export industries and services:** fruits and vegetables; the cultural and environmental visitor industry; and manufacturing industries. (\$5,200,000 Economic Support Fund and \$1,000,000 Development Assistance Fund).

**Activities.** Jordan's economy has long been dependent on a flow of resources from abroad which has proven unreliable in the face of political and economic vagaries. When the oil bonanza of the 1970's ended, Jordan offset declines in subsidies and remittances from the Gulf states by increased long-term borrowing. The results were an unsustainable debt burden and a consequent structural adjustment program initiated in 1989 with IMF and World Bank assistance. The Gulf crisis, however, exacerbated Jordan's problem by halting trade with Iraq, one of its major trading partners; ending aid from the Gulf states; and drastically decreasing remittances as Jordanian workers were compelled to return home from the Gulf. Jordan's debt-to-GDP ratio continues to be one of the highest in the world in spite of

the U.S. Government \$220 million debt forgiveness. Consequently, Jordan must increase and diversify its sources of foreign exchange earnings by increasing exports through policy improvements and strengthened private sector capacity. Export led growth will also increase employment opportunities as new jobs are created in production, distribution, marketing, and related services. USAID's assistance aims to lessen market barriers and lower production costs, which will increase the international competitiveness of Jordanian goods and services; promote private sector investment in the export sector; and increase foreign exchange earnings from foreign visitors. USAID supports this objective through support for marketing of fruits and vegetables to non-traditional markets; fostering regional trade linkages across newly opened borders; establishing Jordan as a service center for incipient Arab-Israeli trade; supporting the preservation and management of cultural and environmental visitor attractions; and, with the participation of private voluntary organizations (PVOs), improving the quality of services and handicrafts offered to international visitors.

Indicators. USAID indicators at the strategic objective level for measuring progress toward achieving this objective are: (1) increased annual percentage in the dollar value of exports from manufacturing industries from \$366 million in 1992 to \$377 million in 1996 to \$412 million in 1999; (2) increased annual percentage in the dollar value of exports from fruits and vegetables from \$85.5 million in 1993 to \$99 million in 1996 to \$115 million in 1999; and (3) increased annual percentage in the total dollar value of cultural and environmental visitors from \$95 million in 1993 to \$116 million in 1996 to \$178 million in 1999.

Feasibility and Cost-effectiveness. An increase in foreign exchange earnings from manufacturing exports, agribusiness and increased numbers of visitors is both feasible and cost effective. Jordan lost most of its traditional markets in the Gulf states, but through product improvements and marketing efforts, Jordan's exporters have demonstrated that they can produce manufactured goods, fruits and vegetables that are internationally competitive in quality and price. The advent of peace presents new opportunities for trade and investment and provides a further stimulus for Jordanian exporters to improve the quality and cost competitiveness of their products. Peace will also enable Jordan to tap into Israel's well developed international visitor industry and develop collaborative, cost-sharing activities to attract visitors to the region, thereby increasing foreign exchange earnings for both countries.

Progress in 1994. Progress over the last year has been substantial. In response to USAID's Sector Policy Reform program, the Government of Jordan (GOJ), has improved the climate for exporters by eliminating export licenses, simplifying customs procedures, and initiating major efforts to redraft laws which act as barriers to increased trade and investment. The establishment of an agribusiness "Exporters Association", with USAID support, provides the mechanism for the private sector and GOJ to address impediments to the export of fresh fruit and vegetables. Also, the Association was instrumental in initiating direct trade with Israel. In anticipation of a substantial increase in the number of foreign visitors to Jordan, USAID has begun a project that will help Jordan manage and protect some of its most fragile cultural and natural resources.

Donor Coordination. USAID's policy framework complements that of the International Monetary Fund (IMF) and the World Bank and was a logical follow-on to the World Bank's structural adjustment program which started in 1989. Similarly, USAID's efforts to eliminate policy constraints to improve foreign exchange earnings, particularly those leading to improved export performance and the mobilization of investment, will provide the foundation for another World Bank trade and finance structural program that is being designed for implementation in 1996 or 1997.

Constraints. The GOJ can reduce public sector involvement in key export sectors by eliminating statutory and regulatory provisions that discourage investment in export-oriented industries. Among these problems are the lack of clarity regarding the limitations on foreign ownership and sectors in which foreigners can invest. Also, the GOJ can allow the private sector a freer hand to respond to market forces in developing the infrastructure and services needed.

**SO 2. Improved quality and increased quantity of water available for use. (\$2,000,000 Economic Support Fund).**

Water is one of the most valuable resources in Jordan. The lack of adequate quantities of water is now a problem and portends to be a national catastrophe in five to ten years. Virtually all natural sources have been tapped. Total water availability (public and private sources) was estimated at 955 million cubic meters in 1991 as compared to an actual consumption of over one billion cubic meters. The deficit was met by over-pumping of aquifers. The demand for water is estimated to grow to 1.2 billion cubic meters by the year 2000. The problem of the scarcity of water is exacerbated by rapid population increase, institutional management weaknesses, inefficient water use and management practices, lack of adequate wastewater treatment capacity, and inappropriate pricing policies. Costly desalination plants are not yet economical, leading to the conclusion that Jordan must manage more efficiently its existing water resources and reach agreement with other nations in the region on the reallocation of existing resources and the initiation of regional water projects.

**Activities.** Since virtually all known sources of water in Jordan have been tapped, a significant portion of USAID's activities is directed toward water conservation and re-use. On-farm and industrial water practices will be improved, pricing and other policies to encourage cost recovery will be introduced, and wastewater treatment capacity will be expanded. These actions will be facilitated by a strengthened institutional capability of the Ministry of Water and Irrigation (MWI), through USAID's water quality and conservation program that began in FY 1994. USAID will finance construction of important, selected wastewater treatment facilities and undertake measures to control industrial pollution in order to render the water fit for agricultural use. In addition to contributing to water reuse by redirecting water toward agriculture, this activity will contribute to redressing the existing imbalance of water allocation among the sectors. USAID will continue to fund feasibility studies and designs of larger projects which will serve to leverage increased capital investment by other donors and the GOJ.

**Indicators.** The indicators for measuring progress toward achieving this objective are: (1) increase in public water available for use from 435 million cubic meters in 1991 to 470 million cubic meters in 1996 to 520 million cubic meters in 1999; and (2) annual percentage increase in wastewater treated to standard from 37.255 million cubic meters in 1991 to 48.432 million cubic meters in 1997 to 116.237 million cubic meters in 1999.

**Feasibility and Cost-effectiveness.** The GOJ recognizes the severity of its water shortage and has already taken some remedial actions that will improve the quality and increase the quantity of water available for use. On the management side, MWI has established a Policy and Planning Directorate which is responsible for policy development and strategic planning. With the help of foreign assistance, the Ministry is currently renovating the water conveyance system in greater Amman to decrease the water lost through leakage and is planning to increase substantially the charges for irrigation water. Progress in the peace process will facilitate greater regional cooperation in the allocation, utilization, and development of water resources.

**Progress in 1994.** Implementation of the water quality and conservation project began in FY 1994 and five long-term specialists are now assisting the MWI in various fields of the water sector. Several short-term experts have helped improve the capabilities of the Ministry in the fields of management information systems, human resources development, water quality monitoring and industrial pollution prevention. The contract for upgrading the As-Samra stabilization pond system was signed in January 1995 and construction will start in the near future.

**Donor Coordination.** USAID is coordinating closely with the World Bank on the following activities:

- Agricultural water policy (USAID helped shape the formulation of the World Bank's recently approved agricultural sector adjustment loan which has a strong water policy component.);

- Cost recovery, including appropriate pricing, for delivery of water to household and industry;
- Allocation among sectors (municipal, industrial, agricultural) for sustainable growth, including the appropriate means of allocation (pricing or other); and
- Environmental policies affecting water quality and reuse, e.g., Zarqa River Basin and Wadi Musa Basin management, municipal wastewater treatment, and agricultural pesticides use.

A policy and planning unit at the MWI has been established, in close coordination between USAID and the German technical cooperation agency, to monitor the progress made in addressing these very sensitive public policy issues.

Constraints. The limited water resources of Jordan are insufficient to meet demand. This phenomenon makes effective management and allocation extremely critical. Accordingly, the regional exploration of new water resources and rational allocation of current resources are essential to overcome Jordan's water problem. Jordan's ability to mitigate its water problem will be facilitated by successful implementation of the peace agreement with Israel. Implementation is contingent on the construction of related new infrastructure.

#### STABILIZING WORLD POPULATION GROWTH (\$6,858,000 Development Assistance Fund).

##### SO 3. Reduced Fertility (\$ 6,858,000 Development Assistance Fund).

Jordan's 4.1 million population is one of the fastest growing populations in the world. Between 1980 and 1990, it grew from 2.13 million to 3.45 million. At that rate, Jordan's population can be expected to double in 16 years and this is a prospect the country can ill-afford.

Activities. In order to reduce fertility, USAID is focusing on (1) improving knowledge of effective contraception by increasing the number and types of method-specific educational and informational family planning materials and developing better information on health benefits derived from practicing effective family planning; (2) increasing the availability of family planning services by training physicians (providers of services) in the public and private sectors and expanding the number of clinics that provide these services; and (3) increasing the availability and affordability of family planning products by expanding the range of affordable, modern contraceptive products available in the market. Specific bilateral activities include: marketing of birth spacing methods; comprehensive postpartum services; and family health services. These activities will be sufficient to bring about an increased use of effective contraceptive methods.

Indicators. An annual decrease in total fertility from 5.6 children per family in 1990 to 4.18 by 1996 and to 3.6 by 1999 is sought.

Feasibility and Cost-effectiveness. The GOJ recognizes the negative consequences of population growth for the country's economic and social development. The government's Economic and Social Development Plan for 1993-1997 has called for "a population policy which endeavors to strike a balance between resources and population through designing and implementing family planning programs based on birth spacing." The Ministry of Health has issued guidelines to integrate family planning and birth-spacing services with ongoing primary health care services.

There is substantial unmet demand for family planning services in Jordan. According to the 1990 Jordan Population and Family Health Survey, 47% of currently married women want no more children and an additional 25% want to delay their next child birth for two years or more. This survey also shows that the use of modern contraceptive methods has increased from 17% in 1976 to 27% in 1990 and that total fertility has declined from 7.7 children to 5.6 children per family during the same period. The projected annual increase in contraceptive prevalence and decrease in total fertility reflects these trends and the demand for contraceptive services.

Progress in 1994. Over 200 physicians were trained in improved inter-uterine device (IUD) insertion techniques in 1994, raising the total number of trained physicians to 430 as of September 30, 1994; a comprehensive family planning counseling program was initiated during 1994 which has, to date, trained 266 counselors; a feasibility study of long-acting Norplant implants and injectable contraceptives has begun; and the GOJ recently approved a new comprehensive postpartum program designed to increase the availability of birth-spacing services in hospitals. This last item is particularly significant, since by signing the USAID post partum project agreement, the GOJ has committed to provide family planning services at government facilities, despite a constraining politico-religious environment. Provision of these services is important because counseling and services are not currently available in hospitals, where 80% of the babies in Jordan are born.

Constraints. Primary constraints to achieving the strategic objective are religious and political. On the religious side, family planning is a controversial issue throughout the Arab and Islamic worlds, including Jordan. On the political side, the openly pro-natalist policies of some of the neighboring countries make any vigorous government support for family planning programs difficult in Jordan.

#### Cross-Cutting Themes

#### BUILDING DEMOCRACY

Governance and Democratic Pluralism: Jordan, one of the most progressive countries in the region, continues on the road toward full democratization and effective governance. Those shaping Jordan's democracy have set a very deliberate pace and USAID's activities in this sector are planned accordingly. Activities are programmed either as integral parts of existing strategic objectives or as responses to ad hoc requests for support of democracy building initiatives. The single biggest USAID activity was the provision in FY 1994 of an automated information and document management system for the Parliament to help it function more effectively. A few smaller activities were also recently completed, i.e., support for elections-related public opinion polling and a voter education campaign targeted at women.

USAID plans to explore ways to strengthen the role and impact of relevant institutions on policy formulation, implementation, and decision-making by municipal governments. Also, USAID plans to prepare a country governance and democratic needs assessment during FY 1995, and perhaps implement one or more pilot activities. The current country program strategy will serve as the framework for developing the governance and democracy plans.

Under the strategic objective for increased foreign exchange earnings from light industry, agribusiness and international visitors, the sector policy reform program and its companion technical support project are helping achieve public sector accountability by working with the GOJ to introduce transparent policies that enable the private sector to compete in foreign markets. The trade and investment portfolio aims at enabling private sector entrepreneurs and trade associations to take advantage of the improved policy environment by building their capabilities in financing, producing and competitive marketing. Additionally, USAID fosters active participation by micro and small business enterprises, local communities (many are rural or semi-rural), and indigenous non-governmental organizations (NGOs) in building a strong visitor industry in Jordan. A key objective of USAID's work in this industry is to ensure that the beneficiaries are the people in the communities where visitor interventions are implemented. The creation of jobs - many in areas of high unemployment - is an important dividend of our assistance, as is the concomitant economic empowerment of the population now out of the mainstream of Jordan's development.

Under the strategic objective for environmental protection, USAID works with the public sector, local industries, farmers' organizations, and NGOs representing the general public to introduce effective policies and practices in the municipal, industrial and agricultural sectors. Special emphasis is placed

on outreach to local communities, business associations, schools and even individual households to educate and organize them into advocates for necessary reforms. This pluralistic participation is essential to the achievement of improved quality and increased quantity of water available for use. The centerpiece of USAID's strategy to raise the profile of water conservation as a public policy issue is in the form of a grant to an indigenous NGO to conduct an intensive public awareness campaign.

Under the strategic objective for reduced fertility, the Comprehensive Postpartum Project, begun in late FY 1994, is aimed at bringing key indigenous family planning, health and population agencies together to create an environment and provide the resources needed to empower women with the knowledge and means with which to exercise control of the timing and number of children they bear.

Women in Development: Women in Development activities are fully integrated into, and are important parts of, each of the three strategic objectives. Family planning has the greatest benefit and impact on women. In addition, special consideration is given to women participant trainees in our training program, and many of the jobs created in expanded export industries are expected to be filled by women. Finally, research in the water sector suggests that water conservation efforts in rural and urban centers will depend upon the responsible behavior of women. Their role in water conservation offers women an opportunity to participate meaningfully in the development process, as well as to share more equitably in the resultant benefits.

A National Women's Committee to improve the status of women has been established by the GOJ. With assistance from USAID, the Committee developed a comprehensive strategy to improve the status, role, and participation of women in democratic and economic development processes. The strategy was recently approved by the Prime Minister for implementation by all government ministries and departments. USAID will contribute to the implementation of this strategy once specific action plans have been developed by the National Women's Committee.

#### MANAGING AND MONITORING POLICY REFORM

Policy reform is an important means toward achieving two of USAID's three strategic objectives. Increasing foreign exchange earnings requires both trade and investment policy reforms. Improving water management and conservation requires MWI to adopt a water policy and management charter and then to implement the policy reform measures detailed in the plan. Better water management also involves a continuing dialogue with the government and other donors regarding cost recovery and pricing issues. While the GOJ has no official policy on fertility reduction, USAID monitors policy developments which could have indirect consequences for this strategic objective.

#### PROTECTING THE ENVIRONMENT

Environmental concerns are important factors in our approach toward the achievement of each of the strategic objectives. Preserving water quality through industrial pollution prevention and wastewater treatment is Jordan's principal environmental task, and establishment of the Mission's Strategic Objective of improved quality and increased quantity of water available for use, reflects the priority of the issue. Environmental issues apply also to USAID's efforts to promote more cultural and environmental visitors while preserving the sites they visit from being degraded by their presence. Excessive population growth, if left unaddressed, also will have devastating impacts on Jordan's environment as well as its economy.

**Other Donor Resource Flows.**

In 1994, the United States was the second largest donor, totalling about 13% of donor funding. Other leading donors are Japan, the World Bank and the European Union.

A collaborative approach with other donors and multilateral development institutions promotes the policy reform agenda. This is especially true under the strategic objectives for increased foreign exchange earnings from selected export industries and services; and improved quality and increased quantity of water available for use, where we can expect an effective synergism to continue as a result of USAID's coordination with the World Bank, IMF and other donors. We also have been instrumental in mobilizing other bilateral resources for Jordan. Parallel financing of the preservation of cultural sites has been implemented successfully between USAID, Italy and Germany. Germany and Canada also are actively helping Jordan address its water problems. The Germans have provided a loan to the Water Authority of Jordan (WAJ) for construction of a second siphon for conveyance of sewage to the As Samra wastewater treatment plant, which complements USAID's construction work at As-Samra. In addition, the Germans are assisting the policy and planning unit of the MWI. Canada is furnishing assistance in organizational development to WAJ, the Jordan Valley Authority, and MWI.

UNFPA has been providing approximately \$1 million a year for broad-based maternal/child health and family planning programs and the European Union has recently begun to support limited population awareness workshops. However, USAID remains the leading donor in an area that is vital to Jordan's long-term economic and political viability.

JORDAN  
FY 1996 Program Summary

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	Total
USAID Strategic Objectives						
1. Increased foreign exchange earnings from light industry, agribusiness, and international visitors.						
Development Assistance Fund	1,000,000					1,000,000
Economic Support Fund	5,200,000					5,200,000
2. Improve quality and increase the quantity of water available for use.						
Economic Support Fund	2,000,000					2,000,000
3. Reduced fertility.						
Development Assistance Fund		6,858,000				6,858,000
DAF	1,000,000	6,858,000				7,858,000
ESF	<u>7,200,000</u>					<u>7,200,000</u>
TOTAL	8,200,000	<u>6,858,000</u>				15,058,000

USAID Mission Director: William T. Oliver

## LEBANON

FY 1996 Development Assistance Fund Request .....	\$4,000,000
FY 1996 Economic Support Fund Request .....	\$4,000,000

Lebanon, after 17 years of civil war and conflict in its border areas, is showing signs of political stability and economic recovery. U.S. humanitarian assistance supports PVOs and NGOs engaged in critical reconstruction and relief efforts, including housing and village infrastructure, jobs training, rehabilitation of war victims, and efforts to strengthen public administration, emergency medical services, and managerial and technical education. USAID assistance demonstrates the U.S.'s commitment to help the country recover and to take part in the evolving Middle East peace process.

#### The Development Challenge.

The political instability and civil conflict that engulfed Lebanon since 1975 resulted in massive destruction of the country's infrastructure and economy (e.g. a 40% drop in industrial output) as well as marginalization of the government and public management systems. The strife caused massive suffering, flight, and increased impoverishment of the Lebanese people.

The end of the war in 1990 provided an opportunity for many Lebanese to return to their homes and villages and start rebuilding their lives. However, this return has been complicated by the reality that thousands of homes, villages and businesses were destroyed or severely damaged during the war. Electricity, water and telecommunications networks were destroyed, directly affecting 1.5 million people and cutting off potable and irrigation water. Government health care and education also suffered.

Speedy and efficient implementation of basic infrastructure and other rehabilitation and reconstruction efforts requires a greatly enhanced government management capability in key institutions and organizations, as well as a skilled cadre of managers and technicians. Additional efforts are needed to support administrative reform, upgrade management systems, and improve the local capacity to carry out training and education. As these elements are restored, new sustainable development efforts are more feasible.

#### Strategic Objectives.

USAID has supported a relief and redevelopment program of humanitarian assistance to ameliorate some of the grave problems described above. The program has a two-year planning horizon rather than a multi-year strategic sustainable development plan until Lebanon's place in the peace process is resolved. The biennial plans are reviewed and amended annually. A number of initiatives that will support a transition to sustainable development for 1996 are planned for FY 1995. Within this framework USAID is funding the following types of activities: (1) community-level reconstruction and rehabilitation, (2) public administration improvements, and (3) strengthening U.S. educational institutions in Lebanon.

USAID focuses on these areas as a means to aid individuals to rebuild their lives and communities; assist in the reconstruction of infrastructure and public institutions; strengthen the capacity of the government to effectively manage its resources; and help build Lebanon's technical and managerial workforce through restoring the quality of education in U.S. educational institutions that operate in Lebanon.

**HUMANITARIAN ASSISTANCE (\$4,000,000).****SO 1. Community-level reconstruction and rehabilitation (\$4,000,000 Economic Support Fund).**

**Activities:** USAID is supporting a wide range of reconstruction and rehabilitation activities that are being implemented by six U.S. private and voluntary organizations (PVOs) and more than 30 Lebanese non-governmental organizations (NGOs). Activities include community-level reconstruction of Lebanese Red Cross facilities and strengthening of Red Cross capacity to deliver emergency and basic health services; reconstruction of homes, villages, roads and irrigation and potable water systems; technical assistance and training to enhance the capacity of Lebanese NGOs to deliver services; and procurement of critical medical supplies and equipment needed in Lebanese schools, hospitals and other public institutions. The FY 1996 program will continue to shift resources to strengthen the capacity of Lebanese NGOs to anticipate community needs and plan accordingly, to raise and manage funds, and thus to upgrade the quality and quantity of their services.

**Indicators:** Each subproject grant has targets related to the activities being pursued, such as numbers of homes rehabilitated, families assisted, water systems restored, or medical service units equipped and staff trained. In addition, the grantees apply selection criteria for communities and families who are assisted to assure that all religious groups and geographic areas are equitably served.

**Feasibility and Cost-Effectiveness:** The USPVOs work through Lebanese NGOs which have well-trained staff and operate effectively in Lebanon's complex social structure. The PVOs and their counterparts provide mutual support in certain locations to combine skills and resources to meet expressed community needs. In some instances, PVOs have been able to mobilize as much as \$3 of local contributions or resources from non-USAID sources for each \$1 of USAID funds.

**Progress in 1993-1994:** Significant progress was made in USAID's program in Lebanon during 1993 and 1994. U.S. PVOs provided relief, including medical services and reconstruction services or materials to individuals and families, including orphans, children and the handicapped. More than 300,000 Lebanese were benefitted directly. In addition, 50 infrastructure projects were completed and 2,000 displaced families were assisted in rebuilding their destroyed homes and returning to their villages.

**Donor Coordination:** The World Bank, the United Nations Development Program (UNDP) and a number of international private voluntary agencies are working in reconstruction. USAID's grantees have been able to combine resources and skills with other agencies, such as Dutch and Norwegian NGOs, to obtain results that exceed targets expected for housing and infrastructure repairs. USAID's grantee repairs the clinic building, while a European Red Cross agency provides the medicines, for example.

**BUILDING DEMOCRACY (\$2,000,000).****SO 2. Public administration improvements (\$2,000,000 Development Assistance).**

**Activities:** USAID supports public administration activities aimed at strengthening the capacity of the Lebanese government to recover from years of civil war. USAID targets its public administration efforts (chiefly training and installation of information systems) at key Lebanese government agencies and civil servants involved in the formation of public policy and establishing the overall quality of government operations. These, besides the Parliament, are the four central control agencies: the Civil Service Board, the Government Accounting Office, the Central Inspections Board, and the Central Disciplinary Board. Assistance for the National Institute for Administrative Development -- the Lebanese institution with primary responsibility for training public servants -- also is planned. In FY 1996 USAID will expand the reach and utility of the computer systems in the Parliament (including an automated voting system) and in control agencies will continue to help modernize and streamline

information systems as well as rules and procedures. A greatly expanded training program for senior and mid-level civil servants in management and technical skills will be in place, using both Lebanese and U.S. training or higher education resources. These individuals will be selected for training based on their key roles in economic recovery and administrative reform of the Government of Lebanon.

**Indicators:** Progress is measured presently by numbers of computer and information systems installed and their use by trained personnel to conduct business and make informed decisions in the targeted agencies. As the broader public administration training program is launched, indicators will include numbers of senior and mid-level managers with improved skills in human resource management, financial management, project management and monitoring, and related areas.

**Feasibility and Cost-effectiveness:** The program is supported by the Government of Lebanon at cabinet and operating levels. By working through the Lebanese and American educational institutions in-country, effective training and institutional strengthening programs can be carried out at reasonable cost.

**Progress in 1993-1994:** Computer systems are being installed in the Parliament and the four central agencies. Technicians and users have been trained. Procedures and systems are being streamlined. This activity, though still in a nascent stage, has been backed by the Minister for Administrative Reform, the Parliamentary leadership, and heads of the affected agencies. They plan to make the USAID program a model for all administrative reform being carried out by the Government of Lebanon.

**Donor Coordination:** In order to assure communication, complementarity and avoid duplication of efforts, USAID and its grantee works with the World Bank teams who are focused on the finance ministry and related agencies, and with the UNDP which is supporting the overall administrative reform effort. This is particularly important while establishing information systems and computer networks.

#### ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$2,000,000).

##### SO 3. Strengthening of U.S. educational institutions (\$2,000,000 Development Assistance).

USAID has provided substantial assistance to American institutions in Lebanon, most notably the American University of Beirut (AUB) and the Lebanese American University (LAU - formerly Beirut University College). The American universities are still recovering from the war years. They have and will continue to play a key role in providing technical and managerial leaders for Lebanon's economic recovery.

**Activities:** In FY 1995 and FY 1996 the universities will receive additional assistance to help them restore their top-quality educational, training, and research and development capacities.

**Indicators:** The effectiveness of this objective will be measured by the extent to which the universities are restructuring, equipping and staffing themselves to meet the needs of post-war Lebanon and a more peaceful Middle East region. More specific indicators will be identified that directly relate to USAID support for AUB and LAU.

**Feasibility and Cost-effectiveness:** Both universities maintain executive offices in New York and representatives in Washington who are accessible for program and policy dialogue. The universities are assessing their future roles, and are seeking support for specific strengthening activities which can be monitored through key performance indicators.

**Progress in 1993-1994:** The program objective of supporting U.S.-based educational institutions was not a priority in FY 1993 and 1994. However, limited USAID funds were used to rebuild damaged structures, to provide scholarships for low-income students of war-damaged families, to improve services at one of the university hospitals in support of war victims, and for general operating costs during the worst years of conflict when the universities were barely able to function.

USAID may not establish a full mission in Lebanon due to the security-related ban on US citizens' travel. The Lebanon program is managed by Asia and Near East Bureau staff in Washington and a small foreign service national team in the American Embassy in Beirut.

**Other Donor Resource Flows.**

In 1993 the United States provided 5% of all development assistance to Lebanon and was the sixth largest donor. United Nations Relief and Works Agency is the largest donor at 31%, and France is the second largest, providing 22% of donor assistance.

**LEBANON  
FY 1996 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Humanitarian Assistance	Total
<b>USAID Strategic Objective</b>						
1. Reconstruction & Rehabilitation Econ. Support Fund					4,000,000	4,000,000
2. Public Admin. Improvements  Devel. Aset. Fund				2,000,000		2,000,000
3. Strengthen U.S. Educational Institutions  Devel. Aset. Fund	2,000,000					2,000,000
<b>TOTAL</b>	2,000,000			2,000,000	4,000,000	8,000,000

Director, Office of Middle East Affairs, Philip-Michael Gary

## MONGOLIA

FY 1996 Development Assistance Fund Request . . . . .	\$800,000
FY 1996 Economic Support Fund Request . . . . .	\$10,000,000

In 1990, Mongolia broke with the Soviet Union after nearly 70 years of dependence. Without its \$900 million a year Soviet subsidy, Mongolia's economy collapsed. Gross national product declined 20% from 1989 to 1993. Mongolia has made significant progress in restructuring its government and economy and is ahead of most former Soviet republics that experienced similar economic calamities. While Mongolia's economic transition has not been smooth, the worst of the necessary economic contractions may be over. Mongolia must surmount many formidable hurdles before it can sustain its own growth. For this struggling democracy to survive, Mongolia needs broad-based economic growth. U.S. assistance to Mongolia supports U.S. interests by fostering a free-market economy and democracy.

#### The Development Challenge.

Mongolia is a country of 1.565 million square kilometers (larger than Alaska) with some 2.2 million people in northeastern Asia, between China and Siberian Russia. Mongolia is sparsely populated but highly urbanized, with more than 50% of the population living in the country's three largest cities. While Mongolia may show a real gross domestic product growth of 2.5% in 1994 (up from a negative 1.3% in 1993) and an annual rate of inflation of 68% (down from 320% in 1993), the battle to achieve sustainable growth over the medium term still demands urgent attention. Despite the relaxation of price controls over the last 18 months, the prices of some products are still well below costs. Electricity tariffs, for example, are now half of those in most Asian countries. Similarly, housing rents are too low to compensate for even the maintenance work done by the Government owners.

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

Mongolia is now a fledgling democracy and large sections of the populace are committed to the concept of political pluralism. However, the concept of democracy and its practical implications are not well understood by the public. While many of the current political elite appear committed to democracy, portions of the old elite remain opposed. Thus, the future of democracy in Mongolia is not assured. USAID has trained all Mongolian judges in the country to apply new laws, promoting public participation in civic affairs, and encouraging the decentralization of government. As the restructuring of the political institutions and the economy continues, further training will be needed for judges, parliamentarians and other policy makers as they carry out their roles in the transition process.

Mongolia's growth is seriously hampered by the continuing energy crisis. The power plants and the coal mines are inadequately managed and maintained. They lack equipment, materials and trained personnel. Manufacturing and exports are crippled by the scarcity of electric power. Central heating services in the cities, essential for life in modern buildings during the severe winters, are reduced significantly and on the verge of collapse. USAID provides emergency assistance to prevent the worst system failures while more permanent solutions, requiring the major capital finance of the international development banks and other donors, are only now starting to take effect.

**Strategic Objectives (SO):**

USAID seeks to achieve one strategic objective in the area of economic growth. The program includes additional democracy, energy and training activities which cut across sectoral boundaries to help achieve this strategic objective.

**ENCOURAGING BROAD-BASED ECONOMIC GROWTH** (\$10,800,000, of which \$10,000,000 is Economic Support Fund and \$800,000 is Development Assistance Fund).

**SO 1. Strengthen the environment for market-oriented growth to encourage accelerated development of private small and medium enterprises. (\$10,800,000).**

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

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

USAID emergency assistance in FY 1993-95 limits the decline and helps avert collapse in vital energy services. Without more plentiful and affordable energy services, economic growth will be severely constrained. USAID technical assistance and training help improve system management. Emergency commodity support is a principal reason one of the two main power plants continued operation in the recent winters. USAID FY 1996 energy sector support will improve system management and operations and will help make efficient use of growing capital project investments from other donors.

USAID also supports democracy activities of U.S. private voluntary organizations, such as the Asia Foundation and the International Republican Institute. These organizations are working to support the stabilization of the Mongolian democratic process, which will help create an environment in which a free market economy can grow.

Indicators. USAID indicators for measuring progress toward achieving this objective are: (1) an increase in the number of new small and medium enterprises; (2) larger or more formal wholesaling of products; and (3) a more accessible and viable banking system.

Feasibility and Cost-effectiveness. The introduction of market reforms thus far has not led to greatly expanded economic activity that reform architects had hoped for, although there has been progress. The full impact of the reform initiative on business activity and employment has yet to be felt. The limited immediate benefits of economic reform, combined with severe shortages of consumer goods and power, have focused increased public attention on the reform process. Although the need for

reforms is generally accepted and viewed as inevitable, the pace and substance of reforms are a hotly debated issue. The reform process is intricately linked to the development of the private sector. An early private sector response will depend on how well the reforms are implemented.

Progress in 1993-1994. USAID had a variety of activities to encourage the development of the private sector. USAID helped the Mongolian Chamber of Commerce provide business services and advice to local and international entrepreneurs. USAID, through the Institute for Reform of the Informal Sector, provides training in public policy and economics for key decision makers, both within and outside government. The Mongolian Bankers Association, established with support from USAID, began to offer courses in a variety of commercial banking areas with the assistance of the Financial Services Volunteer Corps.

During FYs 1993-1994, USAID's emergency energy assistance delivered enough spare parts, equipment and materials to keep a vital power plant and coal mines from collapse. USAID's leading role in energy assistance helped mobilize other donors to similar efforts and to plan and initiate interim and long-term capital improvements which will eventually restore adequate energy services for Mongolia's sustainable economic growth.

USAID has supported the Mongolian democratization process by sending a group of political party officials to the United States to learn the role of political parties in a democratic society, and to learn about details of American political party operations. The group spent time with the National Democratic Institute for International Affairs and with the International Republican Institute while in the United States. The parties put their new knowledge into practice in preparing for the successful 1993 Presidential election in Mongolia. USAID also supports programs of the Asia Foundation and the Center for Institutional Reform and the Informal Sector which include: expanding the capabilities and professionalism of members of Parliament, their staff and the Parliament Secretariat; developing an independent judiciary; promoting legal education and training; establishing an independent bar association; promoting public participation in civic affairs; and encouraging the decentralization of government.

Donor Coordination. The International Monetary Fund, the World Bank and the Asian Development Bank, often acting in concert, have worked with the Government of Mongolia to accomplish many of the key reforms taken to date and to establish detailed policy agendas that will guide much of the reform program over the next three years. In addition, the World Bank and the Asian Development Bank are working on sectoral policy agendas, including transportation and energy--both critical to ensuring the success of the transition to a market economy and democratic government. As follow-on to USAID emergency energy assistance, other donors are now providing most energy sector commodity and renovation assistance. The World Bank will provide (in FY 1995) about \$30 million to the mining sector to ensure that the coal mines are producing and, thus, supplying energy to the urban economic areas. The Asian Development Bank will renovate Power Plant #3 (in FY 1995), using approximately \$40 million and will build roads from the mining areas to the urban areas. The Japanese are working on the rail system and renovating Power Plant #4, totaling about \$68 million (in FY 1995). Lastly, the Germans renovated the power plant in the second largest urban area.

Constraints. While starting to show signs of gradual improvement, the socioeconomic situation had significant setbacks in the initial phase of the reform process. Although this is largely because of the loss of Soviet aid and export markets and the disruption in Soviet import supplies, hardships identified with the reform process tend to discredit it. Mongolians are only beginning to learn what a market economy is and what is required to bring one about. Consequently, and to their credit, they are striving to gain the essential entrepreneurial skills, knowledge, and experience. The key institutions necessary to manage a market economy tend to be embryonic, malformed, or missing. The old habits and bureaucratic mind-sets are slowly dying but many remain, tending to undermine and subvert official market-oriented policy changes in insidious ways. Finally, despite USAID assistance and that of other donors in the energy sector, there is still significant potential for a major failure of the power

system, with its probable dire consequences for quality of life, disruption of the economy, and pressure on the reform movement.

#### Other Donor Resource Flows.

In 1993 Mongolia received \$126 million in overseas development assistance (ODA). The principal donors, who together contributed 80% of this ODA, were Japan, with \$57 million; the Asian Development Bank, with \$16 million; the International Monetary Fund, with \$13 million; Germany, with \$11 million; and the Netherlands, with \$4 million.

### MONGOLIA FY 1996 PROGRAM SUMMARY

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democrac y	Providing Humanitaria n Assistance	Total
USAID Strategic Objectives						
1. Strengthen market-oriented growth to accelerate development of small and medium enterprises	10,800,000					10,800,000
<b>Total</b>			0			
Development Assistance Funds	800,000		0		0	800,000
Economic Support Funds	10,000,000	0	0	0		10,000,000

USAID Representative: Chuck Howell

## MOROCCO

FY 1996 Development Assistance Fund Request . . . . . \$ 27,864,000

The United States has significant economic and political interests in Morocco. Of strategic importance is Morocco's position as a moderate voice in the Arab world, a role model for economic and political moderation among Islamic nations, and a bulwark against anti-Western Islamic fundamentalism of the type now seen in neighboring Algeria. The United States relies on Moroccan support for the Middle East Peace Process and enforcement of United Nations (UN) sanctions against Iran, Iraq, and Libya. Increased U.S.-Moroccan trade, economic, and technical assistance have become important elements of U.S.-Moroccan relations as Morocco has begun turning increasingly to the United States to expand economic and trade ties. Overall, Morocco espouses and overtly seeks to follow the United States in many aspects of its social and economic development.

#### The Development Challenge.

Threats to Morocco's stability easily could jeopardize the country's ability to maintain its pro-U.S. foreign policy orientation and its important role as a model of Islamic moderation and cooperation. Unemployment and lack of access to housing, land, credit, and other productive resources remain chief causes of poverty and major contributors to social instability. These factors are creating a pool of disaffected educated youth, easily attracted to extremist appeals. Poverty and illiteracy remain extensive. Large family sizes further strain meager incomes. Increasing natural resource degradation and industrial, urban and agricultural pollution pose threats to the productive base of the economy, to ecosystems and to the support they provide for maintenance of human health and economic productivity.

Morocco's image as a modern, developing society is a veneer which masks a disquieting reality. Social indicators place Morocco among the lower-income countries of the world: (1) life expectancy is estimated at 63 years, compared to 62 years for low-income countries; (2) infant mortality, at 57 per thousand, compares to 73 for low-income countries and 43 for lower-middle income countries; (3) an annual population growth rate of 2.4% doubles the country's population in approximately 29 years; (4) a combined literacy rate (for both men and women) of 42% compares to 60% for low income countries, with an appalling 70% illiteracy rate for Moroccan adult females; (5) an estimated 5.6 million people (20% of the population) live at or near the poverty level, with heavy concentration of the poor in rural areas; and (6) nearly 20% of the labor force is unemployed.

Economic problems include: (1) sporadic growth in the economy averaging 2.7% over the last 13 years, compared to a 2.4% annual population growth rate over the same period; (2) economic growth heavily dependent upon rainfall, with drought-induced negative gross domestic product (GDP) growth in 1992 and 1993, and a near-certainty for 1995; and (3) a labor force growing at a faster rate than the economy can generate productive employment opportunities to absorb new entrants. In addition, an inhospitable policy and regulatory framework impedes individual initiative. Businesses and civic associations remain difficult to register, credit is inaccessible to the majority of the population, and inefficient markets and pricing distortions impede rational growth and misallocate resources.

#### Strategic Objectives (SOs)

USAID's new strategic plan focuses on Morocco's fundamental development problems through three strategic objectives (SOs): (1) to improve the health of women of child-bearing age and children under five; (2) to promote a healthier environment and the sustainable use of Morocco's scarce natural resources; and (3) to expand the base of stakeholders in the economy.

**STABILIZING POPULATION GROWTH (\$9,600,000)**

SO 1. To improve the health of women of child-bearing age and children under five (\$11,015,000, of which \$9,600,000 is attributed to Stabilizing Population Growth and \$1,415,000 is attributed to Encouraging Economic Growth).

Fertility must be reduced for Morocco to achieve its overall development objectives of broad-based and sustainable economic growth, improved natural resources management, an acceptable quality of life for a majority of Moroccans, and social and political stability. Improved and sustained family planning (FP) and maternal and child health (MCH) programs are critical to reduce future demand for limited resources. Conversely, population and health objectives cannot be met without economic growth and a healthy environment.

Activities. Population and health sector activities seek to provide more people with greater access to improved health care. The program combines support to improve country-wide operational activities with a strong advocacy and policy dialogue component. USAID assists the Government of Morocco (GOM) in the training of health-care workers, decentralizing health-care services, and providing clinical commodities, including contraceptives, equipment and vehicles, as well as technical assistance to improve preventive services. Each year, the GOM contributes a higher percentage of operating costs to support these activities.

Related Activities. Health and smaller family size are directly related to education, especially female education. USAID has initiated discussions with the Ministry of Education to expand basic education, especially for rural girls. Good health depends on a clean environment, which USAID addresses through reducing urban environmental pollution under its housing program, and supporting non-polluting industrial infrastructure through a clean technology program with Moroccan industry. USAID's activities in economic growth lead to increased employment with better paying jobs, which is related to enhanced access to health care and reduced family size.

Indicators. Priority indicators for measuring progress toward achieving this objective for the 1992-1997 program period are: (1) decrease in the total fertility rate from 4.2 to 3.7; (2) decrease in the infant mortality rate from 57 to 50 per thousand births; (3) decrease in the child mortality rate from 20 to 17 per thousand; (4) increase in the contraceptive prevalence rate from 41.5% to 54.0%; (5) increase in the percentage of pregnant women receiving qualified prenatal care from 32% to 54%; and (6) increase in the proportion of family planning and maternal and child health operating costs financed by the GOM, including contraceptives, from 40% to 68%.

Feasibility and Cost-Effectiveness. USAID and the Ministry of Public Health (MOPH) share mutual preventive health objectives, including a priority on integrated, decentralized sustainable family planning and maternal and child health services. Programs target the key causes of maternal and child mortality; assist Morocco to become more self-sufficient in health care delivery; and promote policy reforms to encourage resulting in increased GOM financing and maximum private sector involvement.

Progress in FY 1993-1994. Achievements in 1993 and 1994 included the following: (1) couple-years of protection provided by the public and private sector programs exceeded 1,000,000, substantially surpassing program targets; (2) the number of childhood diarrhea cases treated in public facilities increased by 54%, while the number of serious cases treated declined by 20%, indicating improved access to services and prompt, efficient treatment; and (3) the Ministry of Public Health initiated the first GOM-financed contraceptive purchase.

Donor Coordination. As the acknowledged lead technical and financial foreign donor in the family planning and maternal and child health areas, USAID works closely with all other donors to ensure coordinated strategy development and implementation. USAID and the United Nations Children's Fund (UNICEF) jointly sponsored and financed an initiative, which led to development of a sustainable, GOM-

financed vaccine procurement system. This system supports the national program, which immunizes 76% of Morocco's children. USAID coordinates its planned assistance to childhood diarrheal disease programs with UNICEF, long the leader in this area. USAID collaborates with the United Nations Fund for Population Assistance (UNFPA) in the procurement of computers and special demographic data analyses. The European Union is assuming an increasingly significant role in the sector, coordinating closely with USAID on its safe motherhood program. The World Health Organization (WHO) contributes assistance complementing USAID interventions in human immunodeficiency virus (HIV) infections, sexually-transmitted diseases, public health training, communicable diseases and epidemiology.

Constraints. Despite impressive progress, the national population is currently growing at nearly 2.4% a year, which means a doubling in 29 years. As more women are entering their reproductive years, sustaining and expanding current rates of contraceptive prevalence and family planning and maternal and child health utilization will necessitate serving more clients at existing delivery points, while simultaneously extending family planning and maternal and child health services to a larger segment of the population. Significant unmet demand for these services already exists. Additional demand for smaller families will reduce the disparity in basic education between boys and girls, increase employment opportunities for women and improve women's human rights.

#### PROTECTING THE ENVIRONMENT (\$5,624,000)

**SO 2. To promote a healthier environment and the sustainable use of Morocco's scarce natural resources (\$5,624,000).**

USAID currently is in the process of restructuring its portfolio in Morocco to bring a new focus to its environmental program. We have identified resource management, pollution prevention, and mitigation requirements as the key strategic environmental needs to address. These weaknesses are a threat not only to Morocco's environment but also to its economy, and to overall public health. The current drought in Morocco illustrates a fundamental problem which is expected to get worse: the lack of sufficient quantities of acceptable quality water for agricultural, industrial and household uses. Other threatened resources include soil and air, each being affected by, and in turn, affecting, rural, urban and industrial systems.

Activities. USAID will approach these problems from three perspectives: (1) improving policy, regulatory and institutional frameworks; (2) promoting adoption of improved environmental practices; and (3) enhancing environmental awareness and community participation. USAID-supported environmental activities currently target resource management improvements, pollution prevention, mitigation efforts in irrigation systems, improvements in energy efficiency and pollution prevention in industry, and the provision of environmental services and infrastructure -- including potable water and sewerage systems -- in urban areas. USAID is also working with the GOM to develop a transparent and enforceable environmental regulatory framework which combines government oversight with incentives for adoption by the private sector of pollution prevention technologies. During 1995, USAID will determine whether Morocco will be designated a pilot country under the proposed Enhanced Credit Program (ECP), to allow investment in wastewater treatment for the city of Tetouan, the site of major urban upgrading efforts under a previous USAID Housing Guaranty Program.

Related Activities. USAID's family planning program is a crucial element in reducing population pressure on the environment. Community organization and dialogue with local government to resolve neighborhood environmental problems (such as garbage collection, sewerage provision) promote governance and democracy objectives. Economic growth activities under SO 3 support the development of several new environmental industries which provide, for example, integrated pest management services to reduce the use of pesticides, and to increase recycled and recyclable packaging.

**Indicators.** Environmental indicators include: (1) creating a policy and regulatory framework for the prudent and efficient management of water resources; (2) developing enforceable standards of industrial energy use; (3) developing a legal framework for pollution prevention; (4) creating increased national and local capacity to assess and respond to urban environmental issues; (5) broadening the market for environmental service technology, equipment, and expertise; (6) improving energy efficiency and reducing carbon, sulfur, nitrate and other toxic emissions; (7) reducing the percentage of poor, urban families living in areas without access to sanitary waste removal (sewers and garbage) and potable water systems; (8) building local government capacity to address environmental needs in a collaborative manner with stakeholders; and 9) strengthening local environmental nongovernmental organizations (NGOs) and other self-help groups to become stronger advocates and implement environmental activities.

**Feasibility and Cost-effectiveness.** The recent establishment of the Under Secretariat of Environment as a semi-autonomous, cabinet-level environmental agency is strong evidence that the GOM is giving priority to environmental issues. Similarly, the private sector, driven in part by external market demands and other economic incentives, is open to energy efficiency and pollution prevention measures. With the prospects of significant water shortages in the next century, the GOM is seeking to improve water use management. USAID anticipates rates of return on improved water management activities, even higher than those currently achieved under a \$9 million energy demand management project. This project currently saves \$7.1 million annually in fuel import and energy costs alone, while at the same time reducing greenhouse gas and other toxic emissions.

**Progress in 1993-1994.** In 1993 and 1994, USAID provided improved housing with access to sanitary waste removal and potable water systems for at least 100,000 below-median income families; finished four major action-oriented studies which will be the basis for improving water use efficiency in the Tadla irrigation perimeter; and reduced sulfur dioxide by 420 tons, nitrous oxide emissions by 600 tons, and carbon dioxide emissions by 138,000 tons through implementing recommendations contained in USAID-funded energy audits.

**Donor Coordination.** Environmental work is relatively new in Morocco and has been significantly driven by donor interest. USAID strives to cooperate fully with all donors in the field. USAID played a crucial catalytic role in the World Bank's \$6 million loan to Morocco to strengthen the Under Secretariat of Environment, by funding the initial feasibility study. This study subsequently led the United Nations, through United Nations Development Program and United Nations Educational Scientific and Cultural Organization, to provide seed funding for a new National Laboratory and Environmental Institute, which has just been inaugurated. USAID cooperates with the World Bank on urban and agricultural water issues and its extensive work in urban areas has provided baseline information for the development of a World Bank project for wastewater treatment in six cities. The World Bank and the GOM expect USAID's resources management project in Tadla to provide the water system management models for their \$350 million irrigation project.

**Constraints.** The crucial issue is the absence of a transparent and binding policy and regulatory framework. Although environmental issues are becoming more important to Morocco, GOM funding for the Under Secretariat of Environment, the locus of environmental activities in the Government, is still inadequate. The Under Secretariat of Environment must continue to develop its human resources and must receive an appropriate level of budgetary support for its operations. Personnel must be assigned for reasonable lengths of time to allow development of expertise and institutional capacity. The lack of public awareness of problems and their solutions currently means slow progress at best. A history of central control, particularly in water management, makes it difficult for local organizations and groups to make decisions and take actions in this area. Morocco also is deficient in basic infrastructure for urban environmental mitigation, such as wastewater treatment.

**ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$11,350,000)****SO 3. To expand the base of stakeholders in the economy (\$8,235,000).**

Economic growth is the critical factor for the success of most aspects of USAID's overall program strategy. Broad-based, accelerated growth is required to expand the base of stakeholders in order to include those currently marginalized from the system due to lack of productive employment opportunities or access to resources such as land or capital. USAID has targeted the following program outcomes to expand the base of stakeholders: (1) an enabling policy and regulatory environment for the creation and expansion of micro- and small enterprises and the generation of employment; (2) broadened access to financial resources and services; and (3) strengthened and efficient markets to provide competitively priced goods and services.

**Activities.** The major new focus in FYs 1995-1996 is microenterprise development, which will expand sustainable employment and income opportunities for the lower 40% of Morocco's population. USAID will support microenterprises through a program of formal, institutionalized and financially-sustainable micro-credit. USAID will focus on economic policy reform, building on current activities implemented through the New Enterprise Development Project. Policy reform activities will consolidate the structural adjustment gains made to date and expand economic liberalization, especially in areas which constrain competition and the participation of financial and commercial markets. USAID will support the agribusiness sector, which offers employment for unskilled poor women in rural and urban areas. Support for technology transfer will make business more competitive both domestically and externally, and provide more secure jobs and higher incomes to the poor. Private sector training will provide state-of-the-art U.S. management techniques for firms of all sizes.

**Related Activities.** Assistance in policy analysis and development contributes to a liberalized legal and regulatory environment; clean technology and energy audits promote efficiency and lower private sector production costs while reducing environmental damage; population and health activities enhance overall health and worker productivity, and reduce the future demand for public services; and training increases women's participation in a growing economy.

**Indicators.** Performance indicators over the period 1995-2000 include: (1) increased industrial employment; (2) an increase of up to 40% in business licenses issued to first-time small business-owners, specifically female business owners; (3) 50,000 new shareholders or employee stock owners in privatized firms; (4) simplified business registration and operation procedures; (5) 5,000 micro-loans yearly averaging \$300; and (6) improved quality of agribusiness products.

**Feasibility and Cost-effectiveness.** The feasibility of achieving USAID's economic growth objectives is enhanced by USAID's past efforts with the private sector, the GOM and other donors. The GOM is committed to policy reforms, as demonstrated by the country's performance under phase one structural adjustment which led to higher economic growth from 1986-90. However, difficult choices remain, and the GOM needs to stay the course with its reform agenda under phase two structural adjustment if the country hopes to achieve sustained economic growth. Experience and contacts in business development activities provide a framework which allows USAID to optimize the use of additional resources and to assure in the sustainability of economic growth activities.

**Progress in 1993-1994.** USAID activities in 1993 and 1994 have helped the GOM to reduce barriers and decrease market segmentation between the large, formal, modern sector and the small enterprise and informal sector; created and expanded micro-, small- and medium-sized enterprises; improved access to credit; provided direct and indirect assistance to Moroccan producers and exporters; improved the regulatory and policy framework by decreasing the red tape for business start-ups; begun the development of transparent regulations and incentives for economic growth; and helped to reduce protectionist policies. This assistance has increased jobs across the board, often for the poorest men

and women in Morocco. In the past 18 months, the GOM has privatized 22 firms; increased firm-level efficiency; increased GOM revenues for social services by approximately \$527 million; and broadened share ownership from 5,000 to 50,000 shareholders in privatized firms.

**Donor Coordination.** USAID's new microenterprise finance project in Morocco is coordinated with Catholic Relief Services (CRS), the only other donor organization engaged in micro-credit. The World Bank is currently exploring means to support microenterprise in the context of the overall financial sector reforms, and USAID will coordinate closely on the opportunities for joint efforts. Additionally, through the National Endowment for Democracy (NED) project, donors have agreed to set up a clearinghouse of information on donor activities and financial support to business and self-help associations. USAID meets regularly with the World Bank, France, and other bilateral donors to coordinate efforts supporting policy reform.

**Constraints.** There continue to be policy and institutional constraints to full economic liberalization, such as tariff regulations, quantitative restrictions, and general over-regulation, generating unnecessary costs and administrative burdens for businesses. Administrative procedures required to start a business lack clarity, and to some extent are still arbitrarily administered. Almost 40% of new entrepreneurs are unable to obtain a business license without professional assistance or resorting to bribery. Many choose either to operate in the informal sector or to withdraw from the entrepreneurial track completely. While progress has been made, access to financial resources and services remains a barrier to a broadened economic system, especially for microenterprises. Further development of the Moroccan economy depends upon expansion of external trade to provide foreign currency needed for the purchase of required industrial and food imports.

#### CROSS-CUTTING ISSUES

USAID addresses two cross-cutting issues, democracy and human resource development, which complement our strategic approach in Morocco. Both are new to the existing portfolio, but are highly consistent with the latest Agency priorities and respond to real opportunities in today's rapidly changing Morocco. (1) USAID is working closely with Parliament, the Ministry of Human Rights, and Moroccan and U.S. NGOs to develop a democracy strategy; and (2) USAID is working closely with the GOM on fast-breaking national educational reform to remove key development constraints in basic education programs.

##### Building Democracy (\$1,290,000)

USAID's democracy and governance program will focus on strengthening Parliament to carry out its role in a more transparent, competent and participatory manner. Strengthening local government capacity is a complementary element of the democracy program. Support to private elements of civic society, such as NGOs and select associations, will be carefully targeted to build capacity, expand grass-roots participation, and promote equity in social and economic development. Funds will be used for parliamentary visits to the United States, training, seminars, workshops, limited operational support and technical assistance.

##### Basic Education (\$1,700,000)

Human capacity development constitutes an integral ingredient for attaining all USAID objectives. USAID supports basic and girls' education and operates a training program to build human capacity in each of its strategic areas. In the first instance, USAID will support educational reforms which expand and improve primary and secondary education. Specific interventions may include developing new basic education curricula; introducing new instructional materials; improving skills of teachers and school administrators; exploring new educational technologies; supporting limited operational research on improving educational retention rates (particularly for girls); and promoting literacy training for adolescents and young women. Secondly, the Training For Development Project is being amended in

adolescents and young women. Secondly, the Training For Development Project is being amended in 1995 to strengthen human capacity-building within each strategic area. The amended activity will provide support for both short- and long-term training (U.S. and in-country) in environment, health, population, basic education, democracy and economic growth. Appropriate linkages will be developed between U.S. organizations, institutions or centers of excellence, and Moroccan institutions. In this manner, the human resource development needed to accomplish USAID strategic objectives will be accomplished, while at the same time, indigenous human capacity development abilities within Morocco will be enhanced.

**Other Donor Resource Flows.** In FY 1993, the United States provided approximately 5% of donor assistance to Morocco. Significant resources are provided by the World Bank, the European Union, the United Nations, France, Spain, Germany and other European and Arab countries.

**MOROCCO  
FY 1996 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Total
USAID Strategic Objectives					
1. To improve the health of children under 5 and women of child bearing age	1,415,000	9,600,000			11,015,000
2. To promote the sustainable use of Morocco's scarce natural resources and a healthy environment			5,624,000		5,624,000
3. Expanded Base of Stakeholders in the Economy	8,235,000				8,235,000
Cross-cutting Issues:					
Democracy/Participation				1,290,000	1,290,000
Basic Education	1,700,000				1,700,000
<b>Total</b>	<b>11,350,000</b>	<b>9,600,000</b>	<b>5,624,000</b>	<b>1,290,000</b>	<b>27,864,000</b>

USAID Mission Director: Michael Farberman

## NEPAL

**FY 1996 Development Assistance Fund Request . . . . . \$27,314,000**

Nepal is the seventh poorest country in the world with an average per capita income of \$210. The people of this four-year-old democracy voted a minority, socialist government into power in a general election held in November 1994. The peaceful transfer of government spoke well for the institutionalization of the democratic process; however, there is a growing perception that democracy does not automatically bring about immediate, dramatic economic improvements. Prior to 1990, the economy was geared to perpetuating the previous political order, rather than promoting national development and growth. During the past four years, the Government of Nepal (GON) made important advances in economic liberalization, in strengthening democratic principles at national and local levels, in formulating a sustainable agricultural growth strategy and in establishing an increasingly effective capacity to respond to the high demand for family planning services. Continued and visible income growth is not only necessary to alleviate Nepal's poverty, but is essential for the success of Nepal's experiment in democracy. USAID's assistance, while only four percent of the total international aid package for Nepal, represents major support for U.S. interests in free-market development, the promotion of participation in a democratic society, and the stabilization of world population growth.

#### The Development Challenge

An estimated 49% of the population of Nepal lives in absolute poverty, using currently accepted standards; another 20% live just above that level. Agricultural production accounts for more than 42% of the gross domestic product (GDP) and employs approximately 80% of the population. Only 30% of the land is arable. Slow growth in the agricultural sector (3%) during the 1970s and 1980s limited possibilities for beneficial effects on the rest of the economy. Consequently, growth in Nepal's non-agricultural sectors also remained low and was restricted to enclaves such as carpet or garment production. The sluggish economy inhibited employment growth and further exacerbated poverty levels. The current population growth rate (2.5%) will cause a doubling of Nepal's current population (19.2 million) in only 28 years. There have been successes in increasing the contraceptive prevalence rate, currently 24%. However, there are wide geographic variations, with the rate going as low as 3% in some regions. Maternal mortality is among the highest in the world, and Nepal is one of the few countries in the world in which the life expectancy for females (52 years) is lower than that of males. Rapid population growth has placed an enormous burden on the environment, economy, health care and other services. Nepal's overall literacy rate of 38% (18%-20% for women) is still far below the South Asian target of 65% by the year 2000. The interactions among a limited national resource base, rapid population growth, environmental degradation, low levels of social development, and widespread poverty present a formidable challenge for Nepal.

Finally, the uncertainty surrounding the course the new government will take is a constraint to USAID assistance. Their economic policies are unclear, as is the extent to which they will pursue their predecessor's promising economic strategy. The new GON has actively sought to assure a continuation of the USAID partnership. GON-announced commitments indicate that a serious effort toward decentralization will be made. Initial plans to move resources and services from the central to the village level, to simplify taxes and to make all government operations transparent appear to advance rather than constrain USAID's economic growth strategy, but not if these actions are accompanied by the imposition of protective tariffs, price subsidies and controls, a return to state ownership, or a slowing of natural resource transfers to community-based user groups.

**Strategic Objectives (SOs)**

USAID is pursuing the following three strategic objectives in Nepal. The program supports the objectives with cross-cutting activities in training (particularly women), in strengthening nongovernmental organizations (NGOs) and user groups, and in protecting and sustainably utilizing the environment.

**STABILIZING POPULATION GROWTH.(\$13,130,000)**

**SO 1. Reduce total fertility rate (\$13,141,000, of which \$12,730,000 is for Stabilizing Population Growth and \$411,000 is for Economic Growth)**

Although modern contraceptive use in Nepal has risen steadily from 3% in 1976 to over 24% in 1991-92, the total fertility rate, or live births per women, is 5.6%. Therefore the population growth rate, estimated to be 2.5% in 1994, remains dangerously high, as does the related infant mortality and maternal mortality rates. Mean desired family size has declined from 4.0 to 3.1 children since 1976, and the unmet demand for family planning is high, as evidenced by the findings of the 1991-92 Nepal fertility, family planning and health survey.

Activities. The child survival and family planning program focuses on increasing access to, availability, and quality of family planning and reproductive health services. USAID's partnership with the Ministry of Health will establish year-round family planning and reproductive health services in 22 district hospitals, will strengthen a network of trained female community health volunteers, and will improve in-service reproductive health training curricula for doctors, nurses and paramedics. USAID's private sector partnerships provide services through a contraceptive retail sales company and private medical practitioners, and support NGOs providing community-based health and family planning services. NGO support, through the private voluntary organization (PVO) co-financing project expands the availability of services through flexible, responsive NGO networks and delivers complementary basic literacy programs to women which incorporate health, family planning, nutrition and income generation training.

Related Activities. The child survival and family planning program supports efforts to increase child survival by improving diarrhea disease case-management, early diagnosis and treatment of childhood pneumonia and the vitamin A status of children under 60 months and pregnant women. Vitamin A rich foods will be introduced into high-value crops activities. USAID is supporting the reduction of sexually transmitted diseases (STDs) to combat human immunodeficiency virus (HIV) and acquired immunodeficiency syndrome (AIDS) and to improve overall reproductive health.

Indicators. The indicators and targets for measuring progress toward achieving the objective are: (1) decrease total fertility rate nationwide from 5.7% in 1990 to 5.2% in 1997; and (2) increase total contraceptive prevalence rate nationwide from 24% in 1991 to 32% in 1997.

Feasibility and Cost-effectiveness. Fertility reduction appears to have begun in Nepal. Desired family size among married women of reproductive age is declining, and demand for services to limit births is high. For the majority of women, however, service outlets are at a minimum one hour or more away, and as far as several days walk. The challenge to the program is to expand the accessibility of good quality services on a regular basis to meet increasing demand. The cost of putting into place a delivery system of reliable quality services is small when compared with the costs computer modeling show would be incurred if the current fertility rate is not reduced. Necessary public expenditures will not be met, increases in agriculture production will be out-stripped, and environmental degradation will continue. In Nepal, reduction of fertility rate must accompany accelerated economic growth.

Progress in 1993-1994. National level, quantifiable results against indicators cannot be collected on a yearly basis. Progress against gross indicators for this period will be available from the demographic

health survey to be done in 1995-96. Major progress was made in strengthening the Ministry of Health by completing an in-service reproductive health and family planning training curricula for doctors, nurses and health post paramedic staff. The Ministry's management of procurement and logistics for service delivery, distribution and warehousing was examined and new systems were developed and are being field tested. Revision of the national curriculum for female community health volunteers was completed. Four new community-based health and family planning programs were started in remote or underserved areas.

Donor Coordination. USAID is a leader in the health, family planning and HIV/AIDS donor coordination groups which meet regularly with the Ministry of Health and each other. USAID and the United Nations Fund for Population Assistance (UNFPA) coordinate on the provision of contraceptive commodities and support to service delivery. USAID coordinates with the United Nations Children's Fund (UNICEF) to support the national diarrheal disease control, vitamin A and acute respiratory infections programs.

Constraints. The key constraints in the sector lie with the GON. Frequent transfers of Ministry staff make providing quality services difficult and unreliable. Health workers are reluctant to serve in Nepal's more remote, underserved areas. NGOs are beginning to fill this void, albeit slowly. Finally, the sector is heavily dependent on donor funding. Without rapid economic growth, there is little hope that the GON will be able to invest more in the sector.

#### ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$9,549,000)

SO 2. Increased broad-based sustainable income growth for rural families (\$12,021,000, of which \$8,638,000 is for Economic Growth; \$400,000 is for Stabilizing Population Growth and \$2,983,000 is for Protecting the Environment)

Substantial progress can be made in reducing poverty levels and increasing income growth by promoting an agriculture-led, market-based economy in rural Nepal. Agricultural growth is necessary to increase family incomes, insure greater levels of food security, improve the sustainable management of the productive resource base and contribute to growth in non-agricultural sectors of the economy. Greater growth requires strengthening of the legislative and economic policy framework and a focused set of investment priorities in the agriculture sector. The GON's recent completion of a comprehensive agriculture growth strategy and plan presents a clear set of policy and investment priorities to achieve a sustainable 5% annual rate of agricultural growth while improving the management of the productive resource base. USAID, by supporting key elements of this program, can have a direct effect on rural incomes on a national level through policy reform and, in project areas, can significantly increase family incomes.

Activities: USAID's economic liberalization program supports expansion of private investment, the liberalization of regulations inhibiting the establishment of businesses; the availability of non-subsidized credit, tax reform, and expanding rural-based microenterprises. USAID also supports increased rural household income through sustainable private agriculture and forestry enterprises. Closely monitored activities support increased private sales of cash crops and products, increased community and private control and sustainable management of natural resources, and the enactment and implementation of necessary agricultural and natural resources policies.

Related Activities: Acceleration of the production of high-value agriculture commodities (fruits and vegetables) in targeted program areas have significantly increased incomes. USAID will expand the geographic program area and incorporate a micronutrient (vitamin A) component into the commodity mix. This cash crop effort will increase the nutritional level of growers and consumers. Community-based groups, experiencing income increases from the sale of high-value crops, are becoming conduits for expanding literacy, democratic participation, and health and family planning in support of USAID's other strategic objectives.

**Indicators:** USAID indicators and targets for measuring progress toward achieving this objective are to: (1) increase average rural household income in the Rapti Zone from \$142 in 1989 to \$220 in 1995; (2) increase hectares (ha.) of forest land transferred to community and private management from 70,000 ha. in 1991 to 200,000 ha. in 1995; (3) achieve 15% growth in new business registrations, with 20% growth in small and micro-enterprise registrations; (4) achieve 10% real growth in exports of hand-made paper and jewelry with a 20% increase in exports of hand-made carpets to North America (all specific USAID interventions); and (5) achieve 4% real economic growth in GDP and 4% in agricultural growth.

**Feasibility and Cost-effectiveness.** Increased growth in cereals and cash crops since the inception of democracy led to a higher overall GDP. USAID assisted in the acceleration of growth by supporting the GON's adoption of economic liberalization and a legislative package for transferring management of local resources to local communities and user groups. The proposed investment priorities developed in the National Planning Commission's agriculture prospective plan actually indicate that the total level of public sector investments for the next five years can be lowered if priorities are adhered to and an expanded role for private investment achieved. USAID's strategy and past experience position the United States to be a major supporter in helping the GON stay focused on the key elements of a well-reasoned and substantiated plan to quickly accelerate agricultural growth and increase private investments, particularly in agriculture and forest-related businesses.

**Progress in 1993-1994.** USAID's economic liberalization and agriculture activities contributed to new legislation for liberalizing the economy, the transfer of natural resource management to community-based groups, and to Nepal's best economic performance in a decade: GDP growth rates of 7.8% and 7.0%, respectively, for the general economy and for the agriculture sector. Sales of cash crops in the program affected areas increased by 20% for the fifth year in a row, and the transfer of management of GON forests to community user groups is 11% (47,000 ha.) compared to a national average of 3%. In areas where USAID has assisted in the turnover of state-managed irrigation systems to water user associations (15,000 ha.), agriculture production has doubled in the past year. The management transfer model has been incorporated in new irrigation schemes supported by the World Bank and the Asian Development Bank (ADB).

With USAID assistance, new legislation has been enacted to encourage private and foreign investment in the hydro-energy sector. Implementation of new legislation to transfer ownership and management of community forests and irrigation systems is accelerating. With USAID's assistance, the GON continued privatization (four enterprises), tax reform (implementation of a value-added tax is scheduled for mid-1995) and opening of business and financial markets (four new banks, ten new finance companies, fourfold increase in turnover at the Nepal Stock Exchange, and two sustainable Grameen-clones established). The GON began work on new liberalized economic laws (company, contract, anti-monopoly and consumer protection).

**Donor Coordination.** The National Planning Commission's agriculture plan was formulated with assistance from the World Bank, Asian Development Bank, USAID, and the Food and Agriculture Organization. The plan provides a strategic framework for GON and donors. Work on the agriculture plan has required close donor coordination. Concerted donor efforts will be necessary to help the GON stay focused on the key growth areas and to ensure that donors pursue supporting programs. The donors involved in economic liberalization---USAID, World Bank, Asian Development Bank, International Monetary Fund, United Nations Development Program, Germany and Finland--regularly meet and coordinate work on structural adjustment and program and project conditionality.

**Constraints.** An agriculturally-based, market-oriented growth strategy focuses on private sector approaches to develop Nepal's economic, energy, environment and rural sectors. This approach represents a radical departure from the pre-1990 GON-dominated economy. Gains made in the past four years might be fragile. Political disputes and uncertainties in 1994 influenced public thinking, overshadowed real economic growth, and led to early elections. The change of government has

slowed progress in the implementation of the GON's economic liberalization program, and the commitment of the new government to economic liberalization is uncertain. In agriculture, potential for national level, large-scale growth remains heavily dependent on the monsoons. If the success in increasing rural incomes achieved in USAID-affected areas is to be replicated on a national scale by the GON, the excellent surface and groundwater resources of Nepal will have to be tapped. Current schemes do not meet the need.

#### **BUILDING DEMOCRACY (\$1,652,000)**

**SO 3.** Increased women and men's participation in a democratically governed civil society (\$2,152,000, of which \$1,652,000 is for Building Democracy and \$500,000 is for Economic Growth)

During the past four years, Nepal has changed from a feudal monarchy to a multi-party democracy. The formation of democratic institutions (parliament, judiciary and local government), two general elections, one local election and the peaceful transfer of power from one party to their strong opposition give reason to be optimistic about Nepal's commitment to this new form of government. Yet the practice of democracy remains in the hands of the economic and social elite, primarily in urban areas. The literacy rate, particularly of women, is extremely low (18%-20%) and opportunities for education favor males. Increasing the democratic participation of grassroots-level citizens will help consolidate democracy, broaden the base of informed and responsible voters, and expedite the development process in Nepal. In the case of women, literacy is also directly related to a decrease in fertility rates, with the resulting impact on population growth.

Activities. USAID provides support to strengthen the capabilities of the Parliament secretariat through training and internships to assist all parliamentary committees. USAID strengthens members of Parliament through orientation in parliamentary procedure and constitutionalism, selective research services for pending legislation, and workshops for all members on pertinent topics that will improve their abilities as lawmakers. The judiciary receives support for improving efficiency of case management, curriculum development and training for officers of the court, for revision of civil and criminal procedural codes, the establishment of a central law library, and a clinical legal education program at the university law school. Local government is supported through training for village and district development committees in transparency, accountability, representation, and project management. Village-level associations and NGOs receive assistance in democratic organization and participation in prioritized development schemes.

Democracy activities, funded by the PVO co-financing and Asia democracy programs include women's legal literacy classes in rural and poor communities; efforts to combat violence against women; redress of bonded labor within a low-caste community; civic education; self-help group formation; formation of a human rights commission; and pilot surveys of political opinions in several districts in preparation for a national poll. The basic education project, with its focus on literacy for women, directly complements the democracy program's objective to increase knowledge and the participation of women and disadvantaged groups at the grassroots level, and the first strategic objective aimed at stabilizing population growth.

Related Activities. There are demonstrated links between a strong democracy and a flourishing liberal economy. Activities under the objective for income growth complement the democracy objective by emphasizing personal independence and democratic practices in user and producer group formation.

Indicators. USAID indicators for measuring progress toward achieving this objective are to: (1) increase the educated and informed populace; (2) increase the number of participatory development groups; (3) increase local control of local revenue and resources; (4) increase the effectiveness of the parliamentary committee system; and (5) increase protection of human and civil rights for women and low castes.

Feasibility and Cost-effectiveness. Nepal has demonstrated to the world its commitment to a democratic form of government. Its long history of geographic isolation, plutocracy and monarchy is being off-set by intense efforts to modernize and develop within a democratic political framework. Democratic institutions and a policy of economic liberalization underpin economic growth in Nepal.

Progress in 1993-1994. Indicators were only recently developed, and quantifiable targets are not yet determined. However, measurable progress has been made during the past year. In sampled districts, the estimated increase in the female literacy rate was 3%, from 21% in 1993 to 24% in late 1994. The number of women who participated in USAID-funded legal literacy fora was 1,254, an increase of 400 over the previous year. The number of citizens who believe Parliament is effective and responsive to their needs increased by 14%. There has been an estimated 15% increase in the number of participatory development groups registered in USAID democracy and agriculture project areas. The number of development project proposals from democratically formed citizens' groups submitted to village development committees increased by 6%. De facto decentralization has been demonstrated by a 5% increase in the local tax retained by local government, and a new block grant which by-passes the district development committees by being distributed directly to the village development committees. There has been a 23% increase in the number of citizens who are satisfied with local government performance and representation. Following the assignment of a research intern to each parliamentary committee, the number of legislative enactments informed by research services increased by approximately 12%. There was an official public hearing held for approximately 5% of the bills introduced to Parliament in 1994, as opposed to 1% in 1992. Draft legislation to redress discrimination against women in the areas of property, inheritance, marriage and citizenship was introduced to committee. The procedure to form a human rights commission has been initiated in the Law Reform Commission.

Donor Coordination. The Danish International Aid Agency (DANIDA), UNDP, the German Technical Cooperation Agency, Great Britain, Japan, the Canadian Cooperation Office, and the Friedrich Neumann Foundation all have programs which support the democratization effort in Nepal. Most programs address election support and local government/decentralization. Until this year, USAID was the largest donor in democracy; that position is now held by DANIDA. A Donors in Democracy Committee meets quarterly to discuss and coordinate program interventions to avoid overlap and contradiction.

Constraints. Nepal's four year-old democratic institutions are constructed on a foundation of autocracy, paternalism, centralization and semi-feudalism which has resulted in deeply-imbedded attitudes and behavior inhibitive to equal political participation. The traditional, hierarchial society which adheres to caste, sex, and ethnic distinctions impedes equity and constrains understanding of participatory democracy. The immature multi-party system lacks internal democratic practices and procedures. Group formation is a strong crosscutting feature across USAID's SOs and may be viewed as a major intervention to influence this behavioral constraint. Democratically constituted forestry and irrigation user groups, producers' associations, mothers' groups, savings associations and literacy groups all will contribute to a better understanding of democracy processes and responsible citizenship at the grassroots, however basic cultural constraints to democracy will continue to inhibit full participation in democratic practices for a number of years to come.

Other Donor Resource Flows. In 1993, total donor disbursements to Nepal were \$375 million, a 50% increase over 1992, led by a 62% increase in disbursements by multilateral donors. The largest donor, Japan, spent \$78 million, followed by the World Bank at \$69 million and the Asian Development Bank at \$67 million. The United States was the third largest bilateral donor, accounting for 4% of the total.

NEPAL  
FY 1996 PROGRAM SUMMARY

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Total
USAID Strategic Objectives					
1. Reduced Total Fertility Rate	411,000	12,730,000			13,141,000
2. Increased Broad-Based Income Growth in Project Areas	8,638,000	400,000	2,983,000		12,021,000
3. Increased Participation of Men and Women in a Democratically Governed Civil Society in Project Areas	500,000			1,652,000	2,152,000
Total	9,549,000	13,130,000	2,983,000	1,652,000	27,314,000

USAID Mission Director: Frederick E. Machmer, Jr.

## PHILIPPINES

FY 1996 Development Assistance Fund Request .....	\$70,372,000
FY 1996 P.L. 480 Title II Request .....	\$2,615,000

The 1992 closure of the U.S. military bases ushered in a new era of Filipino-American relations, one which reflects a shared commitment to human rights and democratic principles, mutual economic interest in an open global trading system, and a common concern for global issues of environmental degradation, population growth, and the acquired immunodeficiency syndrome (AIDS) epidemic. Looking to the future, the Philippines, which shares our language, history, and many of our political and economic structures, not only represents a new and flagship democracy in East and Southeast Asia, but also a potent ally linking us with the fast-expanding economies of China, Taiwan, Indochina, Malaysia and Indonesia.

#### The Development Challenge.

Despite recent successes in strengthening democracy and accelerating economic growth, the Philippines is still a new democracy in the early, fragile stages of an economic takeoff. "Crony capitalism" is not yet dead, key "closed" institutions still challenge democracy, and almost half of the people live in poverty. Future political and economic stability in this country requires a concerted effort to broaden participation in the economy, to reform key institutions required for an effective democracy, to preserve the already strained natural resource base, and to reduce population growth rate, which at 2.4% is now the highest in Southeast Asia.

The Government of the Philippines (GOP) has set ambitious goals to direct the country toward newly industrialized country status by the year 2000. These goals include almost doubling the per capita income to \$1,000 per year, reducing the incidence of poverty from 46% to 30%, and reducing the population growth rate substantially. These are tall challenges for the Philippines -- such accomplishments took 10-20 years of sustained rapid growth and policy reform in neighboring Asian countries.

Initial results from the accelerated process of opening and deregulating the economy became evident in 1994 with a 5% economic growth rate, a welcome change after 15 years' average growth of 1.7%. But to many this boom just means the man on the street will fall even further behind. With most jobs being in the informal sector, there is chronic underemployment and low productivity, the result of an economy largely closed to competition since World War II. Exacerbating the problem are the highest population growth rate in the region and a rapidly deteriorating natural resource base. For instance, most of the Philippines' valuable rain forest is already felled, in turn spawning massive soil erosion and watershed depletion. Further, Filipinos rely on fish and seafood for 80% of their daily protein, yet only 6% of the country's coastal resources, including mangroves and coral reefs, remain undeteriorated. Fishing yields in this once rich archipelago are beginning to decline.

#### Strategic Objectives (SOs).

The GOP and non-governmental development partners recognize these problems and proactively seek U.S. Government help in achieving their goals. USAID will assist by directing its resources to four strategic objectives: (1) expanding economic participation and competition; (2) engendering responsive local governance and a credible justice system; (3) reducing the population growth rate; and (4) sustaining key natural resources such as forests and coastal zones. USAID also will address the issue of AIDS prevention to help avert in the Philippines the health disaster now facing Thailand. P.L. 480 Title II feeding and monetization programs, culminating almost 50 years of U.S. Government food support to the Philippines through U.S. private voluntary organizations (PVOs), will be phased out in

1996. The four strategic objectives (including AIDS discussed under population) are described in more detail as follows.

**BUILDING DEMOCRACY (\$18,670,000).**

**SO 1. Engender more responsive local governance and a credible justice system (\$18,670,000).**

Philippine society remains in transition from one in which most economic and governmental decision-making power rests in the hands of a narrow elite, to one that is more pluralistic. Although the country has made significant strides, there are still well-established groups opposed to fundamental economic, social, and political transformation. Since decision-making is concentrated in the hands of a few, there is under-representation of broader public interests in public bodies, and the obstacles to modification of public policies and practices are often near insurmountable. Local governments, the judiciary, the police and the military are the key reform targets to overcome real and perceived problems of bureaucratic inertia, lack of transparency and accountability in public decision-making, and systemic corruption. We are concentrating on the first two -- local governance and the justice system.

Activities. The Philippines 1991 Local Government Code devolved substantial authority, resources, and responsibility to local government units (LGUs). USAID assists these units to improve their participatory planning, resource mobilization, and program administration (including environmental management and disaster preparedness). USAID also supports nongovernmental organization (NGO) research, advocacy and extension programs designed to check the state's exercise of authority, broaden participation in national governance matters, increase understanding of democratic practice and values, and improve the capacity for governance outside central state institutions.

USAID also is actively supporting alternative means of dispute channels at the local level and at public interest advocacy programs. USAID and other donors are jointly exploring means to make the formal judicial system more open, accountable, and predictable.

Related Activities. The partnership of local governments and NGOs is the key delivery system for USAID's sustainable coastal resources development as well as integrated family planning and maternal health activities. USAID's democracy program, in turn, assists these activities in achieving their ends. USAID will continue to seek resources from the Housing Guaranty Loan program to support long-term investments by local government units in environmental infrastructure. Promoting a credible justice system is deemed critical for establishing a level playing field for economic growth and competition, and for enforcing environmental standards.

Indicators. In order to measure progress by 1999, the mission is using the following indicators: (1) 10 percent annual increase in the number of people who believe that they are able to participate in the decision-making process; (2) 10 percent annual increase in the number of people who believe that institutions are responsive; (3) increase in net tax collection by local government units; (4) 10 percent annual increase in the number of people who believe they, or groups of which they are a part, are able to influence local, provincial, or national government decisions; and (5) positive change in the percentage of people who believe that disputes within their community are resolved fairly and efficiently.

Feasibility and Cost-effectiveness. As evidenced by implementation of the Local Government Code, there has been a growing realization of the limitations of the centralized state and the responsibility of civil society to participate more effectively in the day-to-day operations of governance. The country's PVOs and NGOs, numbering over 60,000 and organized to resist authoritarian government, have been instrumental in providing services, widening access to justice, and holding public officials accountable. Modest investments by USAID are helping NGOs and local government leaders to better mobilize and direct private and public sector resources for accelerated, broad-based development. In

the judicial sector, where there is minimal apparent political will to reform, alternative dispute resolution mechanisms are a fruitful and cost-effective avenue for reform.

Progress in 1993-1994. USAID's support for decentralization has been instrumental in the orderly transfer of over 70,000 employees to local governments. This decentralization program has increased the local governments' share of national resources by over \$1 billion annually. Development of the systems and procedures for more responsive governance mandated in the 1987 Constitution and 1991 Local Government Code are being realized with USAID support.

A USAID grant to the Asian American Free Labor Institute led to establishment of over 40 labor education and counselling centers in a new industrial zone south of Manila. Those centers have established close working relationships with local private sector enterprises and the GOP. These centers now provide legal counselling and arbitration assistance at the local level.

USAID grants to The Asia Foundation opened up avenues of participation in legal policy formulation and implementation to achieve legal redress and to encourage greater judicial accountability. Support for groups such as Project Courtwatch, the Women's Legal Bureau, the Philippines Center for Investigative Journalism, and the Center for Media Freedom, improved media coverage of justice-related issues and support for citizens' monitoring of the legal system.

Donor Coordination. Complementary programs that have evolved through regular donor coordination include the Ford Foundation's research and support programs for participatory development through NGOs in partnership with government; the Canadian-supported local government support program, which assists local government units in capability-building, and the World Bank-funded third municipal development project, which supports infrastructure needs of cities and municipalities. In the areas of judicial reform, USAID's activities complement those of both the Asia and Ford Foundations in support of alternative dispute resolution programs.

Constraints. Enacting the Local Government Code was just one step in making government more responsive to the people. Constraints are: (1) an entrenched public attitude of dependency on central government and traditional elites; and (2) time pressure for decentralization to succeed in the face of opposing forces of centralization and consolidation of economic and political power.

#### STABILIZING POPULATION GROWTH:(\$33,642,000).

##### SO 2. Reduce the population growth rate (\$33,642,000).

The rapid population growth rate and its effects on family health and well-being are primary concerns in the Philippines. Addressing that issue, the GOP has identified the provision of quality family planning services as one of the most effective interventions for reducing fertility and in improving women's reproductive health and child survival. Family planning helps prevent the deaths of infants, young children and mothers by helping women bear children during the healthiest periods of a woman's life. Maternal mortality has remained high here for over a decade. Infant mortality has not decreased markedly over this period. The number of persons tested positively for human immunodeficiency virus (HIV) infection has now exceeded 500 and the GOP estimates upwards of 35,000 persons are affected.

Activities. Reproductive health activities support the GOP's efforts to reduce the total fertility rate and maintain cost-effective health interventions. USAID's program includes support for child survival and family planning efforts in both the public and private sectors. USAID assists the GOP expand and improve local government efforts to deliver child survival and reproductive health services. The program provides family planning information, education and communications, contraceptives, logistics, training, operations research, policy planning and monitoring. Additionally, support is provided to develop local NGOs and to expand the social marketing program. USAID also is supporting the GOP

and NGOs to (1) determine where and in what population groups HIV/AIDS is located, and (2) target these groups for behavioral modification interventions to prevent and control the spread of AIDS.

**Indicators.** The following indicators measure achievement of this objective: (1) population growth rate will decline from 2.4 in 1994 to 2.0 by 1998; (2) contraceptive prevalence rate of modern methods will increase from 24.9 in 1993 to 31.9 in 1998; the infant mortality rate will decline from an estimated 55.7 in 1993 to 49.9 in 1998; the total fertility rate will decline from 4.09 in 1993 to 3.59 in 1998; the maternal mortality rate will decline from 203 per 100,000 in 1993 to 191 per 100,000 in 1998. The percentage of children fully vaccinated is expected to remain at 90% through 1998, and women vaccinated against tetanus toxoid is expected to increase from 80% in 1993 to 90% in 1998. By 1998, a functioning AIDS surveillance system will be in place in over 15 sites in selected areas throughout the nation and condom sales will increase from 10.8 million units in 1994 to 33.4 million units in 1998.

**Feasibility and Cost-effectiveness.** The 1993 Demographic and Health Survey (DHS) has shown that modern contraception is culturally acceptable and does not create a serious moral dilemma for many Filipinos. In recent years the need for modern contraception has only grown greater. The 1993 survey also found that the unmet need for family planning services was 43% among urban women and 51% among rural women. With continued political support for family planning at all levels of the GOP, the potential exists for making significant strides toward a more manageable pace of population growth. The GOP was able to raise vaccination rates to 90% for all children under one year of age. Part of the current strategy is to assist the GOP in maintaining these rates under a devolved health system. The GOP and USAID have determined that, to facilitate local governments' ability to manage their new responsibilities for the delivery of health and family planning services, a performance-based disbursement program is the most effective means of accomplishing the program goals. HIV infection rates in the Philippines are still at a low level, compared to other countries in the region, such as Thailand, Myanmar and Cambodia. Nevertheless, given the circumstances, it is reasonable to assume that the debilitating epidemic experienced by other Asian countries could occur in the Philippines unless efforts are made now to prevent the rapid spread of HIV. Thus, it is cost-effective to focus efforts on prevention at this time.

**Progress in 1993-1994.** The total contraceptive prevalence rate rose from 32.2 in 1986 to 40.1 in 1993. Fully immunized children increased by 1%, from 89% in 1993 to 90% in 1994. The maternal mortality rate has declined from 209 per 100,000 in 1990 to 203 per 100,000 in 1993. USAID and the GOP signed an agreement for the integrated family planning and maternal health program to (1) expand the availability of reproductive health services in the public and private sectors and to increase the use of these services by women in high-risk groups, and (2) foster continued provision of other selected child health interventions at the local level. The GOP established an HIV/AIDS sentinel service in six geographic sites. Infection rates and behavioral surveillance systems have been established in each targeted city for groups assumed to practice high-risk behavior. Mass media campaigns have been designed and implemented. Preliminary designs to support an HIV-free blood banking system have been completed.

**Donor Coordination.** USAID is the largest contributor to both the Philippines family planning program and the national AIDS prevention and control program. The United Nations Fund for Population Assistance will contribute approximately \$25,000,000 for the period 1994-1998. The Australian International Development Assistance Bureau, the Asian Development Bank, the World Bank, the German Assistance Group, and the European Union have agreed to collectively provide \$120 million in loan and grant funds to the Philippines family planning program for the period 1994-1998. In support of the AIDS program, USAID also channels funds through the World Health Organization (WHO) Global Program for AIDS prevention. Australia plans to contribute approximately \$1,300,000 for the years 1993-1995; WHO is providing \$490,000 for 1994-1995; and the Government of Japan provided \$750,000 in 1994. Through the U.S.-Japan Common Agenda, Japan's support to the AIDS

program is expected to dramatically increase in 1995. USAID meets frequently and regularly with donors so that activities will not be duplicative and will be mutually supportive of the GOP programs.

**Constraints.** There are managerial and political constraints which might impact the success of this strategic objective. Devolution of a health system makes it more problematic to operate coordinated, effective national programs. The GOP is aware of the problem and is working through the governors and mayors of the local government units to maintain a responsible and responsive public health system. Finding and tracking the high-risk AIDS groups, with limited resources, impedes outreach programs.

#### **ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$9,140,000).**

**SO 3. Expand economic participation and competition (\$11,755,000 which includes \$9,140,000 from Economic Growth and \$2,615,000 from P.L. 480 Title II Humanitarian Assistance).**

Relative political stability, a consistent pattern of policy liberalization, and an upturn in economic performance suggest that the Philippines may be moving to a higher economic growth path. The last two years contrast sharply with conditions in the late 1980s and early 1990s when the United States, in concert with other major donors, provided large-scale policy-conditioned balance of payments assistance to the Philippines to help restore democracy and economic stability. Yet decades worth of counterproductive practices and regulations, vested interests protecting turf, and inadequate means of enforcing policies and laws still help to perpetuate poverty and act as a drag on sustainable economic growth.

**Activities.** Major activities to broaden participation and competition include agribusiness reform, trade and monetary policy reform and advocacy, and tax reform and administration. These activities relieve policy constraints on agriculture and manufacturing, lower tariff and non-tariff barriers to both imported inputs and final exports, and reduce rampant tax evasion. Both the Mindanao development program and the regional enterprise development activity are focused on creating new employment opportunities, targeting small business development areas with historically low public investment. USAID sectoral activities in telecommunications, inter-island shipping, agriculture, and energy are serving to open key sectors to competition. Financial sector reform activities deregulate the capital market and expand the scope of the banking system to address the needs of small and micro-enterprises.

**Indicators.** Indicators of broader participation and competition include the increase of the share of manufacturing in employment from 11 percent in 1994 to 15 percent in 1999; the increase of the ratio of exports plus imports to gross domestic product (GDP) from 88 percent in 1994 to 91 percent in 1999; the increase of the ratio of gross domestic capital formation (GDCF) to GDP from 24.3 percent in 1994 to 28 percent in 2000; the increase of direct foreign investment from \$1.4 billion in 1994 to \$2.1 billion in 1999; the decrease of the ratio of the average four firm concentration ratio from manufacturing from 63 to 50 in 1999; the increase of the labor force participation rate from 64.6 percent in 1994 to 36 percent in 1999; the increase in the number of newly registered enterprises from 114,000 in 1994 to 138,000 in 1999; the decrease of the poverty incidence from 41 percent in 1994 to 36 percent in 1999; the decline of the ratio of average urban family income to average rural family income from 2.2 to 1.9; the increase of the tax revenues to GDP ratio from 17 percent in 1994 to 22 percent in 2000; the increase of direct taxes to total tax revenues from 34 percent in 1994 to 40 percent in 2000; and the reduction of the structural interest rate by 1 to 2 percentage points.

**Feasibility and Cost-effectiveness.** The use of technical assistance and policy analysis/advocacy to achieve policy reforms continues to be extremely cost effective. Tax administration work, using the Internal Revenue Service, also is returning substantial results. Large investments in infrastructure are winding down, with construction to be completed in mid-1997. Work in sectoral reform and small and

micro-enterprise development will target key intermediary organizations such as trade and business associations, banks, and PVOs, and should also yield high returns on investment.

**Progress in 1993-1994.** With USAID support, the GOP started to deregulate inter-island movement of goods and passengers within the Philippines by opening shipping routes to competition and allowing price and service flexibility. The central monetary authorities adopted a market exchange rate policy, liberalized capital flows, improved cash management, expanded government securities, introduced significant organizational improvements and freed up exchange rate mechanisms. USAID was the prime supplier of data that supporters of the General Agreement on Tariffs and Trade (GATT) used for ratification by the Philippine Senate. For the first time in its existence the Philippines Bureau of Internal Revenue is starting to overhaul its management and administrative structure, use performance data in management decisions, prioritize audits, and adopt techniques for detecting unreported income. USAID facilitated entry of new firms into the equity market by helping merge two stock exchanges and facilitating the improvement of surveillance and disclosure programs, accounting and auditing standards and enforcement codes. The USAID-supported private exporters' association championed efforts to decrease administrative impediments to exports and imports. USAID assistance resulted in a build-operate-transfer (BOT) law and advice that spawned a surge of private investment in power, telecommunications and environmental infrastructure, and helped end two years of lengthy power brownouts.

**Donor Coordination.** USAID's longer-term, interactive technical assistance and analysis complements some of the larger donors who often are not as strong in these areas. Examples include the World Bank cooperation in inter-island shipping and tax reform, and Asian Development Bank cooperation in financial reform programs. USAID is also working with Canada, Norway and Japan on small business development and policy reform.

**Constraints.** Private and government vested interest groups continue to impede progress. The legal system can cause confusion and long delays. Systemic corruption also slows the reform progress.

P.L. 480 Title II funds in the Philippines supports CARE and Catholic Relief Services feeding programs targeting school-age and pre-school children and pregnant and lactating mothers. Another program uses monetized wheat to provide health and nutrition education and to fund microenterprise development.

#### **PROTECTING THE ENVIRONMENT (\$8,920,000).**

##### **SO 4. Enhance the management of renewable natural resources (\$8,920,000).**

Strategic natural resource management is needed in the Philippines to replace the destructive extraction of natural resources with sustainable systems. While the population is still predominantly rural (70%), industrial production is expanding with a corresponding increase in urban dwellers, 80% of whom live within the coastal zone. By investing in both rural and urban environmental management, USAID protects the traditional (rural) sources of wealth while also assisting in environmentally sound industrial growth.

The extent of the environmental problem requires a rapid response by both the public and private sectors. USAID is mobilizing and assisting local governments and private sector users to implement sustainable environmental management systems.

**Activities.** The USAID program has three major components. (1) Community-based forest resources management focuses on privatization of natural resource management for sustainable use. The management of forest and coastal resources is being transferred from a highly centralized government bureaucracy to community-based groups of local governments, private investors, NGOs, and civic and church groups. With USAID assistance, the government has developed a policy framework conducive

to ecologically sound and sustainable economic growth with special attention to tropical forests and biodiversity. The framework also encourages increased economic efficiency in the forest products industries. (2) Industrial environmental management promotes the adoption of cost-effective pollution abatement systems by the industrial sector through pollution management appraisals, environmental risk assessment, and technology transfers. Policy studies and dialogues help rationalize policies on industrial pollution. (3) Community-based coastal resources management will adapt and replicate local solutions to protecting strategic coastal areas. Particularly important will be increasing the incentives for sustainable management through improved tenure rights, increased profitability, and local regulation.

**Related Activities.** USAID actively uses the U.S.-Asia Environmental Partnership's (US-AEP) industrial environmental assistance through trade missions promoting U.S. technologies and hardware as well as biodiversity conservation under the program's Biodiversity Conservation Network (BCN).

**Indicators.** The mission is measuring progress using the following indicators: (1) 500,000 hectares of residual forests managed by community-based user groups by 1998; (2) four private investors and 20 NGOs collaborating with user groups by 1998; (3) 17 percent of forest land covered by comprehensive, community based management plans by 1998; (4) 7 percent of industrial investors implementing cost-effective pollution control measures by 2002; (5) 3,000 kilometers of coastline managed on an ecologically and socially sustainable basis by 2002; (6) 240 municipalities empowered to manage their coastal resources to reduce degradation by 2002.

**Feasibility and Cost-effectiveness.** GOP efforts with forest conservation and environmental management have not proven effective. Community-based user groups, however, have demonstrated effective capability to manage the forests. Through its technical assistance USAID will build on this experience to upgrade public and private sector capacity to sustain activities after project assistance terminates. In industrial environmental management, cost-effective and proven methods of pollution control are available to the industrial sector.

**Progress in 1993-1994.** Approximately 140,000 hectares (ha.) of residual forest were placed under community management, 108,000 ha. of which went to indigenous cultural groups. With significant participation from effected communities, comprehensive management plans have been prepared for more than 20,000 ha. Additionally 300,000 ha. have been transferred to 134 industrial investors under new regulations for management. The Foundation for the Philippine Environment was established with an \$18.0 million endowment invested in government bonds. Policies specifically address transfer of forest resource management responsibility to communities and industrial investors, forest charges assessment, deregulation of exportation for plantation-grown timber, and banning logging in virgin forests were revised. In the industrial sector, pollution management appraisals were conducted for more than 70 industrial corporations, over 40 of which have successfully reduced wastes and increased efficiency and profits.

**Donor Coordination.** USAID will continue its leadership role in coordinating strategic management of donor resources allocated for environment. Present or proposed donor collaboration partners include the Asia Foundation, the World Bank, the Ford Foundation, and the Asian Development Bank.

**Constraints.** Bureaucratic resistance is the principal constraint to more rapid expansion of new forest management approaches. Lack of technical skills among public and private sector personnel is a general problem, but is diminishing due to the positive impacts of hands-on training and further exposure. In the industrial sector, collaboration on pollution control is impeded by a tendency of government officers and environmental activists to rely on national regulation rather than motivation to accomplish objectives. For coastal areas the major constraints are ineffective community regulations, inadequate profit incentives for sustainable use, and lack of capacity for ongoing adaptation of resource management models to different local conditions.

## Other Donor Resource Flows

In 1993 the Philippines received \$1.491 billion in overseas development assistance (ODA). The largest donor was Japan, with \$758 million, followed by the United States, with \$270 million; the Asian Development Bank, with \$100 million; Germany, with \$88 million; and Italy, with \$71 million. Numerous other donors furnished the remaining \$204 million of ODA.

**PHILIPPINES  
FY 1996 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Providing Humanit- arian Assistance	Total
USAID Strategic Objectives						
1. Engender more responsive local governance and credible justice system				18,670,000		18,670,000
2. Reduce the population growth rate		33,642,000				33,642,000
3. Expand economic participation and competition						
Dev. Assistance P.L. 480 Title II	9,140,000				2,615,000	9,140,000 2,615,000
4. Enhance management of renewable natural resources			8,920,000			8,920,000
<b>Total</b>	<b>9,140,000</b>	<b>33,642,000</b>	<b>8,920,000</b>	<b>18,670,000</b>		<b>70,372,000</b>
P.L. 480 Title II					2,615,000	2,615,000

USAID Mission Director: Kenneth G. Schofield

## SRI LANKA

FY 1996 Development Assistance Fund Request . . . . . \$18,837,000

Sri Lanka's economy has grown steadily since liberalization began in 1978 with growth reaching an estimated 6.9% in 1993. However, despite economic progress, poverty persists and per capita income is only \$540. Economic growth has been concentrated in urban areas, and in the industrial and service sectors, and has not been sufficiently broad-based to absorb under- and unemployed labor throughout the country. Agriculture, although the dominant economic activity in Sri Lanka, continues to stagnate. Income distribution patterns disfavor the poor, and much of the poverty is concentrated in the rural areas where 80% of the population resides. While democratic traditions are strong, the Government of Sri Lanka (GSL) remains highly centralized, with few authorities and limited resources given to local governments. Years of civil war have strained GSL resources and threatened stability. U.S. assistance to Sri Lanka (5% of total international aid received) supports U.S. interests by promoting democratic governance, an open and free market economy, and preservation of natural resources.

#### The Development Challenge

Sri Lanka has an ethnically diverse population of 17.6 million persons residing in an area about the size of West Virginia. Population growth is low at 1.2%. The country has made some progress in evolving from a socialist, centralized economy to a more open and market driven economy. The budget deficit was 8.1% of gross domestic product (GDP) in 1993, down from 15.5% in 1988. Most of this reduction came at the expense of public investment, particularly in infrastructure. The annual inflation rate is about 11.7%. Unemployment is officially estimated around 14%, but may be as high as 35%-40% if underemployment is included.

Sri Lanka combines good human and natural resources with comparatively impressive social indicators. Life expectancy is high for a developing country, and about 87% of the population is literate. However, wide disparities exist in socioeconomic status and access to employment opportunities. About 20% - 25% of the population is considered poor, and while much of this poverty is in the rural areas, there is also severe urban poverty. One of the most serious social problems is extremely poor maternal and child nutrition, with stunting and wasting of children being more prevalent in the rural areas. The GSL has placed a high priority on poverty alleviation. The country's natural resource base is rapidly being eroded, endangering health as well as livelihoods in agriculture, industry and tourism.

Since independence in 1948, politics have maintained a democratic character. Local, parliamentary and presidential elections held in 1994 resulted in a smooth transition to power of a new coalition government, the Peoples Alliance, ending 17 years of United National Party domination. The new government has called for a continuation of economic growth strategies which are now gaining momentum. An eleven year-old ethnic war is centered in the Northern and Eastern provinces, which comprise about 30% of the country's land area and about 15% of its total population. This ethnic conflict has imposed a large drain on the Government's financial resources. The 1994 elections brought renewed hopes for peace and economic development in this area.

Sri Lanka is a responsive, sustainable development partner. However, its track record as a high-level performer in development is relatively short, and while progress has been good, it is also fragile. Sustainability will depend significantly on social and political stability, continued policy reform, environmental protection and conservation, and progress in the three strategic areas now targeted by USAID assistance.

#### Strategic Objectives (SOs)

The goal to which USAID's program contributes is a democratic Sri Lanka, with broad-based sustainable development, and preservation of natural resources. To accomplish this goal, the USAID

program has three strategic objectives. USAID is encouraging broad-based economic growth by facilitating micro and small-scale enterprise development (both urban and rural) for a broad range of people, while strengthening related financial markets and increasing access to credit and urban infrastructure. USAID is helping to protect the environment through regulatory reform and local involvement in conserving ecosystems and biodiversity. USAID is also building democracy by enabling greater participation of people in all economic classes to define their own needs and achieve their own solutions, and by encouraging higher quality media and legal systems. In FY 1996, USAID will contribute 61% of its development assistance budget to economic growth, 20% to the environment, and 19% to democracy initiatives. A quarter of USAID program funds will support policies and planning in all three strategic objectives.

#### **ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$13,030,000)**

**SO 1. Increased opportunity for people to participate in, and benefit from, a growing market economy (\$13,030,000)**

Sri Lanka is a low-income country with high unemployment and a fragile economic base. For generally improved standards of living, all sectors of the economy must continue to grow at a steady pace and have broad-based impact. This includes strengthening the rural and urban economies through enterprise development, policy reforms, new technology and skills, and strengthening of formal market institutions. More and better jobs for the unemployed and underemployed, and more revenue for the GSL are essential to sustain progress in humanitarian areas, and to sustain the viability of democracy. Slow or inequitable growth and poverty will feed potential political instability.

**Activities.** The USAID program helps to create credit and savings societies to expand credit access and services to the poor. USAID's direct assistance to private enterprises introduces technologies to improve competitiveness and market penetration, and helps to create sustainable small and medium-enterprise activities, in agriculture and industry. Assistance to capital markets helps to mobilize investment funds which create new jobs and make Sri Lanka's private enterprises more competitive. USAID also assists the GSL with its privatization program to transfer government assets to private control and to encourage private investment in urban infrastructure such as solid waste collection. The P.L. 480 Title III program, funded through FY 1994, has addressed the malnutrition problem and helped leverage free-market, agricultural reforms, while making U.S. wheat available for humanitarian resettlement programs and feeding programs for the rural and urban poor.

**Indicators.** USAID indicators for measuring progress toward achieving this objective are: (1) Increase in the percentage of private sector participation in GDP from 15.8% in 1995 to 17.2% in 2000; (2) stunting and wasting among preschool children will decline from 60% in 1995 to 40% in 2000; (3) \$88 million annual increase in Sri Lankan Board of Investment domestic and foreign investment approvals per year, from \$880 million of total approvals in 1995 to \$1.32 billion of total approvals by 2000.

**Feasibility and Cost-effectiveness.** Sri Lanka must continue on a path of economic liberalization. Further opening up of the economy and broad-based growth will result in increased employment and income opportunities. Mobilizing productive savings and investment and increasing opportunities and access to private enterprise comprise the foundation for USAID's efforts. Assistance activities are aimed at policy reform and implementation, developing efficient financial markets, and strengthening private enterprises and institutions in the agricultural and manufacturing sectors. This approach is feasible given Sri Lanka's impressive progress in opening its economy. USAID's investment of \$7-\$8 million per year in economic growth activities is conservatively estimated to have rates of return in the 15%-25% range. This investment is effectively leveraging private sector investment at the micro-enterprise/mini-enterprise level.

**Progress in 1993-1994.** The dramatic increases in employment and income seen in previous years continued through 1993 and 1994. The availability of technical and support services to microenterprises and small businesses has improved, and has led to measurable effects on productivity, job creation and profitability. Some 12,000 people have increased their incomes through promotion of non-farm micro and small businesses and agribusinesses. Employment opportunities have been enhanced at the grassroots level by setting up microenterprise and income-generation activities through private voluntary organizations (PVOs) which have provided training in microenterprise development, new and more productive farming techniques, and vocational skill training for 27,500 people in urban and rural areas. New enterprise creation and expansion of existing enterprises, made possible by assistance to Sri Lanka's capital market, has created over 8,000 jobs in 1993 and an estimated 10,000 jobs in 1994, bringing the total jobs created to approximately 24,000. In 1994, the capital market was able to raise \$167.2 million through initial public offerings and rights issues, compared to just over \$20 million three years ago.

Improved farming techniques and diversification into high-value crops have increased income of participating farmers from \$578 per year in 1987 to \$1,042 per year in 1992-93. Dissemination of new technology has enabled farmers to realize additional income over their traditional crop paddy by using irrigated plots. Through 1993, 500 assisted private firms have purchased over \$15 million in goods and services from the United States, producing nearly a fivefold return on USAID's investment. During 1994, a further 100 firms have been assisted and are expected to result in similar returns. With USAID assistance, 40 of 61 companies identified by the GSL have been privatized, and \$310 million in assets transferred to private control.

Some 700,000 rural poor people received loans from the strengthening of community-based thrift and cooperative societies. The current USAID Housing Guaranty program, concluded in FY 1994, provided approximately 45,000 below median-income families (less than \$95 per month) with long-term credit for housing. In addition, the P.L. 480 Title III resources supported the GSL's feeding programs, benefiting approximately 250,000 poor people, and leveraged a full range of policy reforms.

**Donor Coordination.** USAID's programs under this strategic objective complement World Bank and Asian Development Bank programs. The Asian Development Bank's financial sector program is developing a secondary market for government debt securities and improving capital market facilities. USAID projects complemented the World Bank and Asian Development Bank's lending programs for industrial development. USAID collaborated closely with Asian Development Bank agriculture sector projects to establish and monitor performance on institutional reforms and policy changes.

P.L. 480 Title III resources supported PVOs which supplemented World Bank, Norwegian, Canadian, and Swedish aid program assistance to improve food security, poverty alleviation and employment creation.

**Constraints.** Although the new government continues the goal of expanding the free market economy, it has yet to define its development focus and strategy and may not move ahead at the required pace in some development areas. In addition, the business skills found in rural and urban, micro to medium-scale enterprises will need to be improved in order to access and utilize economic opportunities. Overall, Sri Lanka's economic growth performance is fragile and to some extent will be, dependent on resolution of its internal ethnic conflict and its progress in maintaining social and political stability.

## **PROTECTING THE ENVIRONMENT (\$2,545,000)**

### **SO 2. Improved environmental practices to support sustained development (\$2,545,000)**

Sri Lanka is an island nation which is rapidly depleting its natural resource base. Its population density is one of the highest in the world. It is therefore imperative that its natural resources be wisely managed to ensure that the sustainable gains from economic growth are not undermined from declining

environmental quality or resource degradation. The future sustainability of Sri Lanka's economy is dependent on the preservation of its natural resource base, such as water for irrigation and electricity, and a clean ocean to attract tourists. Capable institutions are required for formulating and implementing policies and programs to ensure full attention to environmental management.

**Activities.** USAID environmental activities focus primarily on policy reform and regulatory change, with successful pilot demonstration sites in natural resource management. The natural resource environmental policy program, the flagship of this objective, assists the Government of Sri Lanka to implement new regulations on industrial siting, to undertake environmental impact assessments on important development projects, to establish an environmental licensing program, and to implement a pollution prevention and environmental auditing program. Another component of the program helps to organize user groups to take joint responsibility for sustaining the productivity of selected watersheds through participatory management and control of land and water resources.

**Indicators.** USAID indicators for measuring progress toward achieving this objective are: (1) Number of people benefitting from adoption of environmentally sound practices will increase from 116,030 in 1995 to 173,530 in 2000; (2) percentage of high-polluting industries which are implementing pollution prevention/control measures will increase from 15% in 1995 to 60% in 2000; (3) the number of hectares of land with agricultural conservation practices will increase from 7,960 hectares in 1995 to 37,460 in 2000; and (4) the percentage of municipal solid waste disposed through environmentally sound systems will increase from 20% in 1995 to 70% in 2000.

**Feasibility and Cost-effectiveness.** USAID's approach emphasizes development of institutional and policy capacity carried out in cooperation with a wide range of Sri Lankan partners, including government agencies, academic institutions, the private sector, and community groups and non-governmental organizations (NGOs). USAID leverages significant funding from other donor programs and the GSL to improve environmental resource conservation. There is a strong receptiveness to policy interventions which achieve high cost-effectiveness through national and regional impacts. USAID achieves lasting results and the permanent adoption of environmentally sound development strategies and practices by focusing on the development of local institutions and participation at the community level. USAID's involvement in this strategic objective will be \$2.54 million in FY 1996, a relatively small investment for planning and sound policy returns which will have a large payoff for improved quality of life in the future.

**Progress in 1993-1994.** USAID has assisted the GSL in a variety of institutional strengthening activities which were almost non-existent four years ago, most significantly, the revision of the national environmental action plan (NEAP) for the next five years. This includes the acceptance of pollution prevention and waste minimization approaches as essential elements of a national industrialization program. The use of environmental impact assessment methodology also was institutionalized, with 200 officials trained. Ninety-five user-groups, involving 1,200 farm families, were formed for shared control of natural resources with their local government in two pilot watersheds. Since 1993, a total of 50,000 low-income people participating in community-based, resource management have benefitted from such interventions as improved sanitation. Training and awareness programs encouraged users to accept and utilize conservation concepts, including conservation farming, soil conservation measures, and tree planting. In summary, USAID has had results in addressing green, brown, and blue issues of environment.

**Donor Coordination.** USAID collaborated closely on the Natural Resource Environmental Policy program with the World Bank on the development and implementation of the national environmental action plan and the Colombo environment improvement plan for solid waste management, clean settlement and the economic study of waste treatment. USAID also works closely with the World Bank, United Nations Development Program, and the Asian Development Bank on a variety of issues including biodiversity, wildlife conservation, and watershed management.

**Constraints.** Rapid economic growth is putting pressure on Sri Lanka's natural resources. Even if economic growth slows and does not provide employment and incomes demanded by the population, there will be increased pressure for extractive use of environmental resources and greater difficulty in restraining development of environmentally unsustainable activities. There is also still some resistance among key decision-makers to the premise that environmental considerations should be factored into every aspect of development planning, and the commitment of the GSL to protect the environment will be essential to conservation of critical eco-systems.

#### **BUILDING DEMOCRACY (\$3,262,000)**

##### **SO 3. Greater empowerment of people to participate in development and democracy (\$3,262,000)**

Ordinary Sri Lankans have relatively limited opportunities to participate in, let alone influence, decision making that affects their political, social, and economic well-being. Although great progress has been achieved by Sri Lanka in some social indicators, unemployment, poverty, social unrest, ethnic conflict, and dependency on government continue to threaten the sustainability of progress made to date. Broader participation, improved public information, and more responsive and capable democratic institutions are essential for Sri Lanka to sustain its current economic momentum and achieve its aspirations of becoming a modern developed society.

**Activities.** USAID supports PVOs which represent vulnerable groups, such as displaced persons and youth, and their priorities; assistance for organizing farmer groups to better use water and land resources; and institutional strengthening to increase access to justice and an improved media. The newly signed Citizens' Participation Program is the cornerstone of USAID's democracy program. It is strengthening democratic processes, particularly at the village level, enabling ordinary citizens to address fundamental social and economic development needs.

**Indicators.** USAID indicators for measuring progress toward achieving this objective are: (1) increase in the number of people with access to legal services and information; and (2) increased expenditure by local government units. Targets for these indicators will be determined by 9/30/95 once the cooperative agreements with two principal U.S. PVOs are established.

**Feasibility and Cost-effectiveness.** USAID has a strong record of success in working with NGOs on popular participation. Social, political and economic crises have disrupted Sri Lankan society. However, as a testimony to the strength of democracy in Sri Lanka, these crises have not weakened the commitment to democratic processes, but rather reaffirmed the necessity of strengthening these processes and making them more receptive to citizen input. USAID has chosen local government, participatory development, legal systems and the media as areas of activity under this objective. In each area, there are well established groups to work with on specific issues.

USAID will invest almost \$3.3 million under this strategic objective in FY 1996. Working with grassroot-level NGOs will involve lower costs while supporting a diverse range of economic activity, with assistance to business associations and their members, to displaced persons in the North and East, and income-generation for farmers, rural women and urban slum dwellers. Assistance to mediation boards in rural areas is a cost-effective way of providing access to legal services. USAID expects the impact per dollar of assistance to be high.

**Progress in 1993-1994.** USAID's democracy activities focus on strengthening the role of NGOs by increasing their ability to advocate for policies and programs that enhance the quality of life for all citizens, especially vulnerable populations. USAID has worked closely with U.S. PVOs and Sri Lankan NGOs to increase the public's awareness on human rights issues, rule of law and justice through training programs and seminars for 5,400 people, including judicial and legal professionals. USAID also has strengthened institutional capabilities and activities of 230 farmer groups, 23 business chambers, and 33 environment and human rights advocacy groups. During 1993-1994, USAID partner

institutions have made significant strides in providing access to democratic processes for ordinary Sri Lankans. Emergency regulations restricting individual freedoms were rescinded, thousands of people redressed their grievances through community-based mediation boards, and nongovernmental organizations advocated greater freedom of information, exposure of human rights abuses, and resolution of environmental issues.

Humanitarian assistance has been provided to 13,296 people affected by ethnic conflict in the northern and eastern provinces. Public awareness of prevention and control of drug abuse, sexually transmitted diseases and human immunodeficiency virus (HIV) and acquired immunodeficiency syndrome (AIDS) has been provided to NGOs, citizen group leaders and Government decision makers, through seminars, workshops and training.

Donor Coordination. USAID works closely with various bilateral donors through the United Nations Development Program-sponsored forum for NGOs. Most of these organizations and donors are involved in community-based participation activities. USAID also has collaborated with the Dutch and Norwegian aid agencies on human rights activities.

Constraints. Uncertainty remains regarding the new government's outlook towards private sector-led growth strategies and the role of NGOs. Implementation of the GSL's stated policy of devolution of power to lower levels of government is mandatory if democracy is to become truly participatory.

#### Other Donor Resource Flows

In 1993, total donor assistance to Sri Lanka was about \$475 million. The United States, with about 5% of total assistance, is the second largest bilateral donor (behind Japan) and the fifth largest overall. Leading donors are the Asian Development Bank, the World Bank, and the International Monetary Fund. There are 17 bilateral and 6 multilateral donors to Sri Lanka.

**SRI LANKA  
FY 1996 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Total
<b>USAID Strategic Objectives</b>					
1. Increased opportunity for people to participate in, and benefit from a growing market economy	13,030,000				13,030,000
2. Improved environmental practices for sustainable development			2,545,000		2,545,000
3. Greater empowerment of people to participate in development and democracy				3,262,000	3,262,000
<b>Total</b>	<b>13,030,000</b>		<b>2,545,000</b>	<b>3,262,000</b>	<b>18,837,000</b>

USAID Mission Director: David A. Cohen

## WEST BANK AND GAZA

FY 1996 Economic Support Fund Request	\$75,000,000
FY 1996 Development Assistance Fund Request	\$1,000,000

The USAID program in the West Bank and Gaza provides critical support for the Middle East peace process, including the September 1993 Israeli-Palestine Liberation Organization (PLO) Accords. Because of the strategic importance of the region to the United States and the historic opportunity represented by the Accords, the United States is committing significant resources to help the Palestinian people. Following the 1993 Declaration of Principles, the United States pledged \$500 million for a five-year program of assistance to the West Bank and Gaza, including \$375 million administered by USAID and \$125 million through the Overseas Private Investment Corporation (OPIC). USAID assistance, focussed on economic and democratic development, contributes to the stability of the West Bank and Gaza and the region. In addition, the United States works actively with other donors to coordinate assistance to the West Bank and Gaza.

USAID programs are creating jobs and producing real improvements in the lives of Palestinians. Tangible benefits achieved in 1994 include: job creation; renovation of over a thousand clinics, schools and houses; the construction of more than 500 small scale water facilities; and skills training in such areas as accounting, health education, and business planning for 7,100 individuals. Support also has been provided for start-up costs of the new Palestinian Authority.

#### The Development Challenge.

The development challenge--and opportunity--in the West Bank and Gaza is formidable. The nascent Palestinian Authority is beginning to assume responsibility for governing the Gaza Strip and the West Bank town of Jericho. However, deteriorating economic conditions threaten to undermine public support for the Israeli-PLO Accords. The peace process could falter and the internal social, economic and political situation could destabilize if standards of living continue to fall and democracy is not nurtured. On the positive side, the Accords offer an opportunity to reinforce the strong grassroots, participatory foundation and the high levels of education and entrepreneurship that characterize Palestinian society. Moreover, strong international support to meet the development challenge reinforces USAID efforts.

The West Bank and Gaza population is approximately 1.7 million (1.0 million in the West Bank and 700,000 in Gaza). The birth rate is high at 51 per 1000. Per capita income, which is highly dependent on external remittances, is falling. The 1993 per capita gross domestic product was \$1,500. Public infrastructure and services are inadequate and badly deteriorated. As a result, Palestinians trail others in the region (i.e., both Egyptians and Jordanians) in quality of life and basic services, ranging from education to sanitation, road networks to water delivery systems. Water is scarce and, in Gaza, polluted. There are no standards for health service. The Gaza Strip is one of the most densely populated areas in the world, and up to 60% of its labor force is unemployed.

#### Strategic Objectives (SO).

The goal of the West Bank and Gaza program is to enable Palestinians to provide for their own economic and social well-being. This goal is achievable with the resources that all donors have pledged and the human and other resources that Palestinians can bring to bear. The goal is supported by a program emphasis on two Agency priorities: building democracy and encouraging economic growth. USAID strategy--subject to revision as changes occur in the highly volatile political environment--consists of five strategic objectives.

**ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$45,063,000).****SO 1. Small and medium producers increase the sustainable and marketable production of goods and services (\$29,650,000).**

The private sector, which is dominated by small producers, is the backbone of the West Bank and Gaza economy. In order for the private sector to grow, constraints such as the absence of a clear legal and regulatory framework, limited small and microenterprise access to credit, and marketing and production obstacles must be addressed. USAID assistance will promote increased employment, incomes, and production.

Activities. A number of activities support USAID's economic growth objective in the West Bank and Gaza. USAID support to small business will strengthen private Palestinian enterprises by improving their management, production and marketing skills and by developing marketing and information services through local organizations. A loan guaranty program encourages participating local banks to lend to Palestinian small and microenterprises by covering part of the perceived lending risk. A new microenterprise project will target the large segment of the population not reached by the formal financial system. A new private and voluntary organization (PVO) project will award grants competitively to United States and local non governmental organizations (NGOs), for activities which directly support this and other strategic objectives.

Related Activities. Past USAID grants in FY 1994 and 1995 to the Overseas Private Investment Corporation (OPIC) and the Department of Commerce provided for loans, guaranties and insurance, and promotes joint U.S.-Palestinian investment ventures. Rule of law activities undertaken under USAID's on-going democracy project will help improve the overall business climate by assisting in the reform of commercial law.

Feasibility and Cost-effectiveness. Private sector enterprises in the West Bank and Gaza benefit from a heritage of entrepreneurship, well-educated labor, and a capacity to cope with economic hardship. These attributes suggest that the growth potential of the private sector would be significant with a more favorable business climate.

Progress in FY 1993 - 1994. An \$8 million loan guaranty facility was established and training for bankers and businesses initiated. The \$11 million small business support project also began in FY 1994. Training and technical assistance to local firms and business services such as Chambers of Commerce has started. U.S. PVOs provided \$2 million in credit for small enterprises through NGOs; technical assistance and training for more than 700 Palestinian small businesses, agricultural enterprises, and cooperatives should improve efficiency of operations and utility of services. Under OPIC and Department of Commerce grants, nine projects were developed, which if undertaken potentially represent \$100 million in capital investments. These projects could generate \$168 million per year in operating revenues and create up to 5,000 permanent and temporary jobs.

Donor Coordination. USAID will lead donor coordination efforts for private sector development, working closely with the European Union which is providing credit and marketing assistance, with the World Bank on the policy level, and with others to ensure that programs are compatible.

Constraints. At the most fundamental level, low incomes and high unemployment limit private sector growth. The lack of a clear legal and regulatory framework is a disincentive for foreign and domestic investors. Deficiencies in the financial system limit access to credit and other financial products and services. Limited access to technology and market information are also issues.

**SO 2. Palestinian public and private sector plan for and provide improved housing for low and moderate income groups (\$3,904,000).**

There is an acute housing shortage and serious inadequacies in the provision of environmental services such as wastewater and sewage hookups and disposal for residential areas. In addition, a West Bank and Gaza housing strategy and policy framework that will encourage both public and private sector building of lower income housing and the creation of a housing mortgage system are needed. USAID support for the housing sector creates jobs, encourages further economic development, and improves the living conditions of Palestinians.

Activities. Apartments for families of modest resources are being constructed by the United States and local firms. A home improvement loan program through a local bank will enable Palestinians to improve existing houses. A neighborhood upgrading program will improve basic services in selected low-income areas. The Palestinian Housing Council, a local NGO, is being strengthened, and technical assistance to develop a housing strategy will be provided.

Feasibility and cost-effectiveness. While USAID's limited resources do not enable it to meet all the housing needs, it can have a significant impact by helping Palestinian institutions develop the where-with-all to address the housing shortage. Moreover, there is significant other donor involvement to complement and reinforce USAID investment in the sector.

Progress in FY 1993 - 1994. Construction of 192 housing units in Gaza is underway. The home improvement loan program is being initiated. Under a USAID grant of \$5.88 million, the United Nations Relief and Works Agency (UNRWA) rehabilitated 500 housing units for families receiving special hardship assistance in the Gaza Strip.

Donor Coordination. USAID collaborates with the European Union, which is also constructing housing in Gaza. The United Nations Development Program (UNDP) and Norwegian plans to assist land use planning efforts will complement USAID efforts, as does World Bank training of Palestinians in housing strategy development.

Constraints. In addition to the lack of capital, the cost of land and building materials is high and rising, and there is no effective public institutional framework for financing housing. Building codes, regulations and standards are either absent, inadequate or inappropriate.

SO 3. Palestinians plan for and provide preventive and public health services which promote appropriate roles for the public and private sectors and which can become sustainable (\$12,509,000 of which \$11,509,000 from the Economic Support Fund and \$1,000,000 from Development Assistance Fund).

The Palestinian Authority and NGOs need technical assistance and training in developing an efficient health care system. Family planning services are virtually non-existent and are essential given the unsustainable rapid population growth.

Activities. The new USAID health systems support project will build the capacity of governmental and non-governmental health care providers to improve health-care services. The project will provide technical assistance, training, commodities and equipment to establish health sector management systems in both the public sector and in the Palestinian NGO health community.

Feasibility and Cost-effectiveness. To meet this strategic objective, an efficient health care system must be created. The current approach to health care is inefficient and costly. Putting a new system in place, which enhances both public and private sector roles, is the only solution to this problem. Family planning is needed and cost-effective, given the rapid rate of population growth.

Progress in FY 1993 - 1994. The \$23 million health project was approved and several activities initiated, including strengthening Palestinian capabilities to undertake the first census since 1967, starting a demographic and health survey to provide critical health and family planning data, and

assisting local efforts to control a cholera outbreak. Cost accounting, a fundamental need for efficient utilization of resources, is being established for the Palestinian Authority. USAID-funded PVOs contributed to preventive health services by constructing and renovating small health clinics (also resulting in jobs); providing technical, managerial, and financial management training for 100 preventive health educators; undertaking home-based training for the parents of 4,000 Gazan handicapped or at-risk children; and constructing an ear-mold laboratory and hearing center.

Donor Coordination. USAID works closely with bilateral donors and international agencies to promote appropriate investment in the sector.

Constraints. The key constraint is lack of a system with well-defined roles for the public and private sectors.

Under this strategic objective, USAID addresses not only economic growth but also rapid population growth in the West Bank and Gaza through centrally-funded family planning activities. Birth spacing and family planning information services will be integrated into overall family-health services.

#### **BUILDING DEMOCRACY (\$24,373,000).**

**SO 4. Palestinians establish democratic and legal institutions to strengthen accountability (\$24,373,000).**

The central challenge of the Declaration of Principles is the establishment of a Palestinian self-governing administration based on democratic principles. Free and fair elections are the first step in this process in establishing democratic decision-making processes. Transparency, accountability, and adherence to rule of law are essential elements of a democratic society and sustainable economic development. PVOs and NGOs also play an important role in civil society.

Activities. Democracy assistance focuses on free and fair elections, accountable governance, adherence to the rule of law, and a strong civil society. USAID assistance is designed to support immediate actions which further the peace process, such as elections, and longer-term institutional development. A past grant to the United States Information Agency helped develop the skills and professionalism of Palestinian pollsters, journalists, and broadcasters in order to promote a more open, vibrant and responsible society. AMIDEAST, a U.S. PVO, is providing management training to key public institutions to improve public administration. A separate project will finance competitively selected PVO activities which contribute directly to this strategic objective. A USAID-funded municipal development project will provide grants to municipalities to implement community-identified projects such as roads, water and electrical connections, and public service facility renovation.

Related Activities. Through a centrally-funded project, USAID is supporting the work of three Palestinian NGOs. The activity promotes Palestinian women's economic and political participation through leadership skills development, public awareness campaigns.

Feasibility and Cost-effectiveness. The feasibility of this objective is contingent upon the outcome of negotiations between the Israelis and Palestinians on the timing and substance of elections and on the commitment of the parties to democratic development.

Progress in FY 1993 - 1994. A \$20 million comprehensive democracy project was approved. Assistance was provided for central and municipal-level organizations and with NGOs. The National Democratic Institute, a U.S. PVO, is carrying out a civic education program. The International Foundation for Electoral Systems, a U.S. organization, is providing expertise to the Elections Commission on various aspects of the electoral process. The International Republican Institute, another U.S. PVO, is working with a local organization to conduct opinion polls on popular attitudes concerning the elections and the transition to self-rule. Workshops have been presented for women

on election awareness. Applied legal research and public conferences have helped Palestinians clarify legal and judicial development priorities. A municipal needs assessment was done to identify sector constraints and possible quick-start activities.

Donor Coordination. The European Union and USAID are providing coordinated support to the Palestinian Elections Commission. The World Bank and USAID are coordinating assistance related to commercial law.

Constraints. Political divisions and the PLO's lack of experience with democratic governance are potential constraints.

#### PROTECTING THE ENVIRONMENT (\$5,564,000).

##### SO 5. Improved quality and more sustainable use of water resources (\$5,564,000).

Water supply and wastewater collection treatment and use have been identified as the most pressing environmental problems facing the Middle East. Therefore, the program will emphasize environmental concerns related to wastewater contamination and conservation of available water resources. Of particular concern is wastewater collection and treatment and more appropriate water use, including the principal uses of domestic water supply, industrial uses, and irrigation.

Activities. USAID plans to begin work in FY 1996 on rehabilitating and expanding aging wastewater treatment systems in several municipalities. Projects may include both wastewater-treatment and water-recycling components. Upgraded water treatment systems will help improve the usage of scarce water resources.

Related Activities. A Middle East regional water dispute resolution project will focus on water treatment technologies and quality standards for wastewater reuse; improved management of municipal water systems, such as programs for reducing illegal hook-ups in distribution systems and setting and collecting water charges; and regulation of groundwater use, including drilling.

Feasibility and Cost effectiveness. Activities will be selected for their appropriateness relative to local conditions and the ability and commitment of Palestinians to maintain them.

Progress in FY 1993 - 1994. Through grants to the United National Development Program (UNDP), water systems have been extended and upgraded in Rafah, Ramallah, and Nablus. The upgrading is resulting in reduced water loss and maintenance costs and improved health conditions. U.S. PVO job-creation activities included the construction of 500 small-scale wastewater and sewage disposal systems and rain-catchment cisterns.

Donor Coordination. West Bank and Gaza's water and wastewater infrastructure needs have attracted considerable donor interest. However, there is still unmet need. As part of its three-year emergency assistance program to cover the sector, the World Bank has identified \$111 million of emergency infrastructure needs. The Bank has committed \$40 million and the European Union another \$40 million for water projects. USAID will work closely with others to ensure a good fit between donor activities and to ensure support for water protection policies, regulatory frameworks, and responsible management systems.

Constraints. Constraints include limited availability of water in the region, poor water quality (salinity), and the lack of public revenue to meet the recurrent cost of the systems.

## Other Donor Resource Flows.

More than 40 donors have pledged \$2.4 billion to West Bank and Gaza development efforts between 1994 and 1998. The United States Government pledge makes it the largest bilateral donor. Other leading donors are the European Union, Japan, and the multilateral organizations, including the World Bank, United Nations Relief Works Agency and the United Nations Development Program.

**WEST BANK AND GAZA  
FY 1996 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Total
<b>USAID Strategic Objectives</b>					
<b>1. Increased production</b>	29,650,000	0	0	0	29,650,000
<b>2. Improved housing for low and moderate income groups</b>	3,904,000	0	0	0	3,904,000
<b>3. Preventive health services</b>			0	0	12,509,000
<b>Economic Support</b>	11,509,000				
<b>Dev. Assistance</b>		1,000,000			
<b>4. Democracy and legal institutions</b>	0	0	0	24,373,000	24,373,000
<b>5. Sustainable use of water resources</b>	0	0	5,564,000	0	5,564,000
<b>Economic Support</b>	45,063,000	0	5,564,000	24,373,000	75,000,000
<b>Dev. Assistance</b>	0	1,000,000	0	0	1,000,000
<b>Total</b>	45,063,000	1,000,000	5,564,000	24,373,000	76,000,000

USAID Mission Director: Christopher Crowley

## YEMEN

**FY 1996 Development Assistance Fund Request . . . . . \$9,465,000**

The Republic of Yemen, the most populous country on the Arabian Peninsula with over 12 million people, faces daunting economic development challenges. It remains one of the least developed countries with one of the world's highest population growth rates; highest infant and child mortality rates; and widespread illiteracy, particularly among women and girls. Average life expectancy at birth is only 53 years. As development needs become more urgent, Yemen's economy continues to decline.

Despite these problems, Yemen has embarked on a process of democratization that goes far beyond that attempted by any other country in the region. It has the only popularly and freely elected democratic government on the Arabian Peninsula, with freedom of speech and press unmatched by other countries in the area. Assistance that will help Yemen's economic, population, health and political development will ultimately have a positive influence in this important region of the world, thus serving the U.S. strategic interest of maintaining stability while supporting an indigenous democratic movement to achieve sustainability.

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

In May 1990, the Republic of Yemen was formed by the unification of the former North and South Yemens and a democratic society was declared with a multiparty political system, a free press, and a broadening of individual freedoms. Shortly thereafter, the Gulf crisis erupted, resulting in the severing of Saudi and Kuwaiti aid and the reduction of aid by many western donors, including the United States. Still, Yemen proceeded along with a remarkable democratization process, conducting a free, fair, and representative election in April 1993. However, the economic effects caused by the Gulf crisis, combined with government mismanagement, sharply heightened Yemen's economic plight and decreased its capacity to provide services to its citizens. Internal dissatisfaction resulted in political infighting and finally a two-month civil war in mid-1994. At the war's end, Yemen was once again united as a democratic nation but its economy was shattered.

As financial resources have declined, the effects of a population expanding at over three percent per year have resulted in a major decline in the quality of health, social, and economic services. The weak institutional capacity of Yemen's various ministries and development agencies is becoming more evident as they grapple with ever worsening problems. Since the end of the civil war, the Yemeni Government has taken a more realistic look at its economic problems and institutional weaknesses and is clearly more receptive to donor assistance in addressing these needs.

#### **Strategic Objective.**

USAID has one strategic objective in Yemen. Supporting this strategic objective, USAID has two cross-cutting themes.

#### **STABILIZING POPULATION GROWTH (\$6,575,000).**

**SO. Increased maternal-child health and contraceptive prevalence among Yemeni women and their families (\$8,825,000, of which \$6,575,000 is Population and \$2,250,000 is Economic Growth).**

To assist Yemen to reverse the current erosion in living standards, USAID is supporting increased use of integrated health and population services by Yemeni women and their families. USAID's strategy focuses on women to enable this huge untapped segment of human resources to participate actively in Yemen's development. USAID's integrated approach to maternal and child health and family planning will lower child mortality as well as the desire for many children to compensate for high child mortality rates. Improving mothers' health will enable them to have healthier children while improved

health facilities and delivery systems will provide an attractive avenue for the introduction and promotion of family planning in Yemen's conservative society. USAID's integrated Women-in-Development (WID) program emphasizes service support to assure that once quality skills and management techniques are learned, support services will allow women to use their skills for direct economic gain. Consistent with its efforts to improve national institutions in Yemen, USAID is expanding its efforts to include unified southern governorates of the country. The generally more progressive cultural attitudes in these governorates will also provide added opportunity for the creation of successful models that can be emulated in other parts of the country, especially in regard to expanded roles for women.

Activities. USAID has developed a two-pronged approach to address population in Yemen which treats maternal and child health and family planning in tandem, improving the quality of the former while promoting increased use of the latter. This approach also improves service delivery at the field level, while addressing institutional weaknesses at the central level.

The Ministry of Public Health, with USAID assistance, has adopted an integrated maternal and child health and family planning approach that currently is being implemented. Two USAID projects are being carried out in parallel: a child survival project that is devoted to improving Yemen's health system, and a project that integrates maternal and child health and family planning. These projects will be modified to emphasize improved management of Yemen's public health care system, expanding its logistical system, and increasing the quality of health services through improvements in supervision of health workers.

USAID's population activities have a strong policy component that works with and supports Yemen's National Population Council (NPC), the Yemeni Government agency that is both implementing existing policy and adapting it to evolving conditions. Support to the NPC will end in 1997 when the secretariat will be able to function on its own.

Indicators. USAID's principal indicators for measuring progress toward achieving the strategic objective are: (1) increase in the number of new family planning users at USAID-assisted primary health care centers from 4,500 in 1993 to 14,100 in 1997; (2) increase in the number of active family planning users at USAID-assisted primary health care centers from none in 1993 to 12,900 in 1997; (3) increase in the percentage of Women's Union sub-branch centers engaged in activities that lead to gainful employment of its members; and (4) increase in the number of USAID-trained women in senior government positions from 10 in 1993 to 15 in 1997.

Feasibility and Cost-effectiveness. Economic development cannot be sustainable in a poor and underdeveloped country with limited resources if that country is experiencing rapid population growth. Although a conservative country, Yemen took a giant step forward in 1992 when it formally recognized rampant population growth as a major impediment to development. If this problem is not addressed, it will be nearly impossible for even the most effective development programs to keep pace with the new demands of an enlarging population.

USAID's assistance will improve maternal and child health services while promoting family planning. Healthier children and mothers lead to lower mortality rates and a lessened need for lifelong bearing of children. If facilities in Yemen's health system can produce this confidence in its clients, these facilities will stand a greater chance of convincing and supporting the same clients in family planning techniques. While much has been accomplished in improving Yemen's health care system, it is still rudimentary at best. USAID's program will continue to place equal emphasis on improving Yemen's health delivery system and on introducing family planning.

The cost-effectiveness of successful family planning in any burgeoning population is self-evident. USAID already has mounted combined efforts with other donors to improve access to primary health care. It has also introduced family planning in targeted clinics. While results are only preliminary and

some fine-tuning needs to take place, it appears that USAID's programmatic approach is appealing to the client population and there is a high likelihood of success.

Women remain the forgotten segment of Yemeni society. They are largely detached from Yemen's economic development. USAID's efforts to date have been limited to attempting to expand women's economic opportunity at the grassroots. This effort will be expanded to the institutional level to assure sustainability and may eventually lead to a micro and small enterprise credit program. USAID believes that once a successful formula is found, replication will be widespread.

Progress in 1993-1994. USAID's health and population activities finished training of rural primary health care workers; began to equip rural primary health care units; improved the cold-chain for childhood vaccination delivery; improved the facilities and services of target primary health care centers, while introducing family planning services; and assisted the Yemeni Government in further developing its policies and implementation strategy for family planning. While still not extensive, Yemen has the beginnings of a group of active users of family planning techniques.

In women's economic development activities, USAID provided extensive practical training and commodity support to Women's Union members in organizing, developing and implementing income-generating activities. In institutional support, USAID played an active role in Yemen's 1993 parliamentary election by providing training, commodity support and election observers. USAID also provided training and commodities to improve the administrative capacity of the Parliament, to include an electronic vote-registering system for the Parliamentary Chamber. During FY 1993 and FY 1994, 60 participants completed their degree training programs in the U.S. and returned to their sponsoring Yemeni Government ministries and institutions to apply their skills. At the end of FY 1994, 56 remained in training.

Donor Coordination. The donor community provides significant support to Yemen's health and population sector. Donor assistance is primarily focused on primary health care and population and family health programs. Principal donors working in this area are the World Bank, the World Health Organization, UNICEF, UNFPA, Germany and the Netherlands. USAID not only maintains regular one-on-one contact with these donors but attends quarterly coordination meetings chaired by the United Nations. UNFPA is currently the only donor supplying public sector facilities with contraceptives. USAID coordinates all of its population activities with UNFPA in order to maximize contraceptive access in project areas. Likewise, data collected through the Dutch-supported social research and women's study unit at Sanaa University provides information that assists USAID in deciding the types of population and family health interventions it will undertake. In coordination with the World Bank's women and girls education program, USAID is able to identify young educated women that can be trained in USAID-sponsored primary health care programs for placement in rural health facilities.

Constraints. Yemen continues to pass through a series of political upheavals and national disasters that have serious effects on its economic development efforts. It still suffers from its Gulf crisis stance in 1990-91, having lost both donor assistance and a major source of foreign exchange in the form of remittances from Yemen's large work force abroad which was repatriated. Locusts, an earthquake and a flood have required international interventions and sapped Yemen's own resources. The repercussions of the recent Yemeni civil war, both politically and economically, are still being assessed. While life is returning to normal, the future likely holds some political reshuffling and changes in ministry leadership. Also, the civil war, at this time, has almost eliminated the influence of Yemen's second political party, the southern-based socialist party, and greatly increased the power of the Moslem religious and conservative Islam party. Yemen's president already has expressed alarm over the increased influence of fundamentalism in Yemen.

**ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$2,750,000).**

**Cross-cutting Issues (\$640,000 of which \$500,000 is Economic Growth and \$140,000 is Democracy).**

Improved accountability, responsiveness, and efficiency of Yemeni development institutions (\$500,000 for Economic Growth).

In tandem with the strategic objective discussed above, USAID is also building the institutional capacity of those government organizations and NGOs that provide services in order to assure their long-term sustainability and in order to empower women to participate in the economic development process. This is being done in two ways: First, direct support is given to specific organizations implementing USAID projects. Secondly, more general support is given to other development institutions that, while not implementing USAID projects, have an influence on the success of the strategic objective. The latter is done principally through focused training programs. USAID will continue its very successful participant training program, targeted to support the SO as well as providing scholarships for training in management-related areas. Ten graduate degree scholarships are offered each year in the general academic areas of health and population policy formulation, planning, administration, and management. The specific development sectors where these scholarships are being applied are health, population, nutrition, women in development, education, governance, and democracy. At least 30% of all scholarships are reserved for women.

Building government institutions (\$140,000 for Building Democracy).

One of the Agency's goals is to foster the transition to democratic societies. Yemen has singlehandedly made a remarkable democratic transition, joining North and South Yemen into a single, democratic state, despite massive economic dislocations and a costly civil war. Besides the intrinsic value that the USA places on democracy as a form of government, this development supports vital US interests in the region. A democratic Yemen serves to enhance its internal stability and serves as a regional role model. US support for this effort demonstrates its commitment to those states engaging the process of democratic transition. To address these dual concerns, USAID will develop proposed democracy and governance activities as a result of an assessment carried out in early January 1995. Probable activities include support for strengthening the parliament and working with the bar association to expand access by women, develop the compilation of case law, and establish procedures to standardize legal proceedings.

**Other Donor Resources Flows.**

In FY 1993 and FY 1994, the United States provided approximately 2.1% of total donor funding. The leading donors were the World Bank, the Netherlands, Japan, Germany, and France. The following is a brief summary of the resource flows and their prime focus: (1) World Bank (all loans): agriculture and fisheries - \$160.3 million; petroleum, energy and water resources - \$57.1 million; infrastructure, roads, bridges, etc. - \$89.8 million; social services (health) - \$119.1 million. (2) Germany: \$34 million in the areas of human resources development and humanitarian relief. (3) The Netherlands: \$25 million in the areas of administration, natural resource development, human resources development, agriculture, forestry, fisheries, infrastructure improvement, industry, social development, and health. (4) Japan: \$20 million in the areas of administration, natural resources development, industry, social development, and health. (5) France: \$14 million in the areas of human resources development, agriculture, forestry, fisheries, transport, communications, and health.

**YEMEN  
FY 1996 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Total
<b>USAID Strategic Objective</b>					
Increased participation by Yemeni women and their families in expanded health and population services in project areas.	2,250,000	6,575,000			8,825,000
Cross-cutting issues: Improved accountability responsiveness and efficiency of Yemeni development organizations.	500,000			140	640,000
<b>Total</b>	<b>2,750,000</b>	<b>6,575,000</b>		<b>140</b>	<b>9,465,000</b>

USAID Representative: William D. McKinney

## ASIA AND THE NEAR EAST REGIONAL ACTIVITIES

FY 1996 Development Assistance Fund Request	\$38,734,000
FY 1996 Economic Support Fund Request	\$34,810,000

The Asia and Near East (ANE) Regional portfolio provides region-wide reinforcement to USAID bilateral strategies in economic growth, including HIV/AIDS prevention, environment and population. The portfolio is managed on a regional basis for reasons of economies of scale, staff savings, or administrative convenience. ANE Regional funding is allocated to USAID's Global Bureau where there are needed technical services in the areas of economic growth and democracy. The portfolio includes regional Economic Support Fund (ESF)-financed activities and residual activities of recently closed field programs.

**The Development Challenge.**

The ANE region is one of the world's most diverse and dynamic. It is characterized by rapid economic growth and industrialization as well as high levels of poverty, high population growth rates and urban migration, and increasing environmental and industrial pollution. The region also includes some of the most water-short countries on earth. The high population growth rates exacerbate the acute shortage of freshwater supplies and degradation of water quality, particularly in the Near East countries.

The development challenge for countries in Asia is to reconcile two potentially conflicting goals: (a) sustaining large increases in economic activity and growth; and (b) improving environmental quality. In the Near East, management of water resources must be improved and effective mechanisms to manage shared water developed. Countries in the ANE region, as a whole, must find ways to make fundamental trends in economic growth and population growth reduction more sustainable, while, at the same time, reducing increasing trends in pollution, resource degradation, and resource inefficiency.

**BROAD-BASED ECONOMIC GROWTH** (\$26,590,000, of which \$9,890,000 Development Assistance Fund and \$16,700,000 Economic Support Fund).

ANE Regional broad-based economic growth goals are pursued largely by efforts to combat the HIV/AIDS epidemic, which is spreading faster in the ANE region than in any other world region. Although little is known about HIV/AIDS in the Near East, it is likely that the epidemic is more established in the region than the low number of officially reported cases indicates. Funding for the ANE regional HIV/AIDS program will extend the scope of USAID centrally funded and mission bilateral HIV/AIDS programs. It will support interventions that limit cross-border HIV transmission; HIV prevention activities in nonpriority countries for other USAID HIV/AIDS programs; and innovative pilot projects that address regional AIDS issues. Progress to date includes the establishment of a system to monitor the status of the epidemic throughout the ANE region; the implementation of a program to reach high-risk, mobile populations in Laos and Nepal; education of policy-makers and business, religious and community leaders throughout Asia about the need for early prevention; and the development of bilateral HIV projects in three USAID missions. Under the Middle East Regional Cooperation (MERC) program, \$2,700,000 in Economic Support Fund resources will support projects which both increase broad-based economic growth and promote scientific and technical cooperation between Israel and neighboring Arab countries. A transfer of \$14,000,000 of Economic Support Fund resources to the Department of State will be utilized to make the annual U.S. payment to the South Pacific Forum Fisheries Agency under the Fisheries Treaty. Under this treaty, licenses to U.S. boats to fish in treaty waters will be effective for each year through FY 2002.

**STABILIZING POPULATION GROWTH** (\$4,699,000 Development Assistance Fund).

Activities to help stabilize ANE regional population growth will include assistance for child spacing, training, education and communication and technical assistance for service delivery and data collection.

In the realm of research, funding will be used for basic population research, the analysis of population trends and comparison of population program performance among countries.

**PROTECTING THE ENVIRONMENT** (\$32,685,000, of which \$23,885,000 Development Assistance Fund and \$8,800,000 Economic Support Fund).

The United States - Asia Environmental Partnership (US-AEP) is an interagency initiative, sponsored by USAID, which directs environmental activities in Asia by engaging the strength of the U.S. Government, along with the academic, professional, and technological communities. The Partnership helps environmental technology cooperation and transfers between U.S. private and governmental entities and Asian governments and firms, bringing U.S. technology into partnerships for pollution prevention and environmental infrastructure. It also supports private, community and governmental cooperation for biodiversity conservation for improved resource and land tenure management, public awareness and education, and setting national priorities and carrying out environmental policy initiatives. Since its inception in 1992, the US-AEP contributed to more than \$360 million in actual sales, joint ventures and license agreements for U.S. firms. The US-AEP has obtained matching contributions and pledges of support in excess of \$126 million. Under the US-AEP's Biodiversity Conservation Network, six of a planned 18 implementation grants have been awarded to promote enterprise-oriented approaches for community-based conservation efforts. The US-AEP environmental improvement project with the Association of Southeast Asian Nations (ASEAN) works to develop partnerships addressing transnational solutions to the problems of industrial and urban pollution resulting from rapid growth in the six ASEAN countries: Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand.

Water resource dispute resolution mechanisms within and between countries are essential if peace in the ANE region is to be preserved. Economic Support Fund environmental funds will provide support to develop effective mechanisms to manage shared water resources in the region, particularly in the Middle East areas of Jordan, the West Bank and Gaza, and Egypt. Assistance will be provided to parties in the region to resolve specific water disputes through technical assistance, workshops, seminars, and short-term activities which contribute to the dispute resolution process. Economic Support Fund resources also will finance Middle East Regional Cooperation (MERC) program activities designed both to solve common environmental problems and to foster scientific and technical cooperation between Israel and participating neighboring Arab countries.

**BUILDING DEMOCRACY** (\$9,570,000, of which \$260,000 Development Assistance Fund and \$9,310,000 Economic Support Fund).

For Asian countries, \$260,000 Development Assistance Fund resources will support regional efforts promoting the development of democracy and governance, including fostering a strengthened civil society, increased citizen participation (especially of women), labor forums or the broadening of NGO empowerment. For Southeast and East Asian countries, \$8.81 million in ESF funding is proposed for democracy and governance activities primarily focused on increasing NGO participation in the development process.

#### **Residual Activities of Closed Field Programs.**

The Afghanistan program was closed in FY 1994. Residual responsibilities for two grants to United Nations agencies for removal of land mines and for immunization have been transferred to the USAID Mission to Pakistan and will be transferred to Washington when the Pakistan mission closes.

The Pakistan program will close in FY 1995, and the Oman program will close in FY 1996. Residual responsibilities for these programs, including closing out construction activities, will be transferred to the ANF Bureau when the field missions close.

The South Pacific Regional program was closed in FY 1994. All residual responsibilities except for those associated with U.S. participation in the South Pacific Forum Fisheries Treaty (discussed under "Broad-based Economic Growth" above), including closing out participant training and minor construction activities, have been transferred to the USAID Mission to the Philippines.

The Thailand program will close in FY 1995. Residual responsibilities, including for the U.S.-Thailand Partnership Project which transfers U.S.-Thai environmental cooperation activities to a private foundation, will be transferred to USAID's Regional Support Mission in Bangkok when the Thailand program closes.

The Tunisia program will close in FY 1995. Residual responsibilities for the Housing Guaranty (HG) program in Tunisia will be transferred to the USAID regional housing office in Morocco when the Mission closes, and other residual responsibilities will be transferred to the ANE Bureau.

**ASIA AND THE NEAR EAST REGIONAL  
FY 1996 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Total
<b>Strategic Objectives</b>					
1. Provide Field Support Dev. Assist. ESF	2,970,000	4,699,000		260,000 8,810,000	7,929,000 8,810,000
2. Reduce AIDS Dev. Assist.	6,920,000				6,920,000
3. Support Middle East Geopolitical Interests Dev. Assist. ESF	2,700,000		2,630,000 8,800,000	500,000	2,630,000 12,000,000
4. Foster Solutions to Environmental Problems Dev. Assist. ESF	14,000,000		21,255,000		21,255,000 14,000,000
<b>Total</b>	<b>26,590,000</b>	<b>4,699,000</b>	<b>32,685,000</b>	<b>9,570,000</b>	<b>73,544,000</b>
Dev. Assist.	9,890,000	4,699,000	23,885,000	260,000	38,734,000
ESF	16,700,000		8,800,000	9,310,000	34,810,000

## EAST ASIA REGIONAL

FY 1996 Development Assistance Fund Request: . . . . . \$3,000,000

East Asia, encompassing countries from Japan to the border of India, is undergoing a rapid modernization which will affect the lives of 2 billion people. The impact of this transformation will, within 25 years, involve 7 of the world's 10 largest economies. Within a decade, East Asia is likely to surpass Europe in terms of America's overseas strategic interests.

Despite its rapid development, Asia's boom has been extraordinarily uneven. The region now possesses five of the seven most polluted cities of the world. And some of the countries in the region remain among the poorest in the world, such as Mongolia, Cambodia, Laos, Vietnam and Burma. Only Thailand, where USAID is closing out its program, has fully shared in the region's growth. This juxtaposition of development needs and strategic interests provides USAID with a significant opportunity to shape future events in this vital part of the world.

FY 1996 represents an important transition year for USAID in the East Asia region. By the end of FY 1995, the highly successful 43-year old Thai bilateral assistance program will have formally been closed out,<sup>1</sup> and the new USAID Regional Mission for East Asia will have started implementing its first strategic plan for regional support operations and limited regional programming. This strategy is one of USAID's many efforts to implement recommendations in the Administration's *Report on Reinventing Government*.

As an approach to cost containment, consistent with maximum program effectiveness, USAID has developed regional support strategies. Many functions USAID performs in the region do not necessarily require the full-time presence of a U.S. direct-hire employee. These functions include: sectoral assessments, pre-feasibility studies, project design, strategic programming and monitoring design, selected project implementation support, selected program reporting support, project evaluation, general monitoring of country performance and certain administrative functions. These services can be provided more cost-effectively from a central location because of economies of scale. Furthermore, by locating this centralized facility in a country with a plentiful supply of highly educated and relatively inexpensive workers, much of the burden of this work can be executed by a skilled cadre of local employees who are supervised by a critical mass of U.S. employees. USAID is testing the cost-efficiency, effectiveness and feasibility of a regional approach to delivering financial, legal, administrative, and program services as compared to both in-country and Washington-based delivery.

#### The Development Challenge.

As an area that accounts for more than a third of the world's population, East Asia defies generalizations. There are a number of overall trends in the region, including: (a) rapid, export-led economic growth, (b) increasing democratization, (c) improved health and social welfare, including increased literacy and longer life expectancies, (d) increasing concern over environmental issues, and (e) declining fertility rates. But the performances of several East Asian countries defy these trends. With per capita incomes that are generally believed to range between \$100 and \$400, Burma, Cambodia, Laos, Mongolia and Vietnam are among the poorest nations of the world. The situation is

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<sup>1</sup> With the exceptions of the "graduation model" U.S.-Thai development partnership project, the HIV/AIDS education program, the university linkages program and the agricultural research program which end in FY 1996 and the housing guaranty program which ends in FY 1998.

particularly grim for Mongolia, which has plummeted from the moderate-income ranks to one of the world's poorest countries since the collapse of the Soviet Union. Of the countries served by the USAID regional mission, only Thailand, with a 1992 per capita income in excess of \$1,800, has progressed well into the ranks of the moderate-income countries.

With regards to political development, Thailand, Mongolia and Cambodia have participated in the trend toward increasing democratization while Burma clearly has not. Even Cambodia's very stability is extremely tenuous and could collapse in the face of the continued threat of the Khmer Rouge. Similarly, progress toward democratic liberalization is less certain under the stable but authoritarian regimes of Laos and Vietnam. Governments in those two countries have granted increasing economic freedoms to their citizens, while remaining one-party states that tolerate little dissent.

Although the seriousness of environmental problems is becoming increasingly apparent in most countries in the region, little effective action has been taken with the partial exception of Thailand, where degradation still outpaces efforts for improvement. Progress in containing population growth follows a similar pattern. USAID is attempting to address several problems in this region, from environmental degradation to the looming HIV/AIDS crisis, from agonizingly slow democratization to dramatically unequal income distributions, from alleviating widespread poverty to easing the shift toward free markets.

To address these issues USAID focuses on three strategic objectives: (1) improve the health and productivity of young men and women, particularly working parents, in the East Asia region through HIV/AIDS and sexually transmitted disease prevention; (2) increase the number and effectiveness of institutions, particularly at the local level, to protect people and the environment from degradation and disaster; and (3) increase the number and effectiveness of community organizations working to make national and local levels of government in East Asia more accountable and responsive to the needs of its citizens, particularly women and the poor. A fourth strategic objective, which focuses on family planning and child survival, will be addressed through the use of prior-year funds. USAID believes that the development problems identified under these strategic objectives can best be addressed through regional approaches: the HIV/AIDS problem knows no borders and threatens to engulf the region; area environmental problems, such as deforestation, degraded watersheds and reduced biodiversity have common, region-wide origins; and the democracy strategy creates opportunities for improved programmatic efficiency and effectiveness by bringing people from the region together for training and the exchange of ideas.

#### Strategic Objectives (SOs).

##### ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$2,000,000).

SO 1. Improve the health and productivity of young men and women, particularly working parents, in the East Asia region through HIV/AIDS and sexually transmitted disease prevention (\$2,000,000).

The rapid growth of HIV/AIDS in East Asia threatens economic gains already made in the region and could undermine the beginning efforts toward sustainable development in the region's poorest countries. As governments of the region are beginning to recognize the potential impact of this threat, they are seeking assistance to develop approaches for prevention and control of the disease. USAID will work through PVOs, primarily U.S.-based, to develop HIV/AIDS awareness and public information programs and help donor countries analyze and implement policy alternatives to effectively control the spread of the epidemic.

Activities. USAID will provide grants to PVOs for education and policy work in HIV/AIDS. In addition, USAID will support targeted training and technical assistance for key government officials and private leaders to enhance public awareness and strengthen HIV/AIDS policies in the region.

**Indicators.** USAID will monitor HIV/AIDS reporting statistics and HIV/AIDS country program and policy changes which occur as a direct result of USAID intervention. In addition, USAID will report on training supported.

**Feasibility and Cost-effectiveness.** USAID is prohibited by law and policy from working directly with several governments in the region. Grants through PVOs allow USAID to assist AIDS prevention and control in these countries. In addition, the regional nature of this approach will capitalize on economies of scale, which have a regional and global impact from cooperation among countries of the region, and demonstration impact of successful interventions in neighboring countries to maximize impact at the lowest possible cost.

**Progress in 1993-1994.** USAID has already taken significant steps to address HIV/AIDS concerns in the region. Through the regional HIV/AIDS office in Bangkok, assistance is being provided in Thailand and Laos. Through separate PVO grants, HIV/AIDS awareness training has already begun within the population of displaced Burmese.

**Donor Coordination.** The regional mission in Bangkok is working closely with governments of the region to ensure that HIV/AIDS activities are provided within the context of overall donor assistance in the sector for East Asia. In addition, the regional mission works closely with bilateral programs in Cambodia and Mongolia and State Department representatives in other countries of the region to ensure that regional programs complement bilateral assistance activities.

**Constraints.** Constraints to HIV/AIDS assistance in East Asia include the weak government structures in the region, chronic budgetary deficits for national programs, and the inability to provide direct assistance to several governments of the region.

#### PROTECTING THE ENVIRONMENT (\$500,000).

**SO 2. Increase the number and effectiveness of institutions, particularly at the local level, to protect people and the environment from degradation and disaster (\$500,000).**

East Asia's rapid economic growth has occurred without adequate controls to protect the environment and without a full costing of industrial development, especially in terms of environmental impact. As a result, pollution is increasing at an accelerated pace which, if it continues unchecked, will have severe negative global implications.

**Activities.** USAID will provide grants to PVOs to engage in environmental education, advocacy and policy work, particularly at the local level. In addition, USAID will support targeted training and technical assistance for key government officials and private leaders to enhance public awareness and strengthen environmental advocacy and policies in the region.

**Indicators.** USAID will monitor environmental status statistics and environmental country program and policy changes which occur as a direct result of USAID intervention. In addition, USAID will monitor and report on training supported.

**Feasibility and Cost-effectiveness.** Given legal and policy constraints to working directly with several governments in the region, USAID will provide grants through PVOs to promote environmental education, advocacy and policy change. The regional nature of this approach will capitalize on economies of scale, enhanced impact from cooperation among countries of the region, and demonstration impact of successful interventions in neighboring countries to maximize impact at the lowest possible cost.

**Progress in 1993-1994.** USAID has already supported environmental groups in Thailand and other countries in the region through the U.S.-Asia Environmental Partnership, its ASEAN environmental

program, and bilateral support programs. Environmental activities will be limited in scope, but will be addressed toward areas in which significant impact can be expected.

Donor Coordination. The regional mission in Bangkok is working closely with governments of the region to ensure that environmental assistance is provided within the context of overall donor assistance in the sector for East Asia. In addition, the regional mission works closely with bilateral programs in Cambodia and Mongolia and State Department representatives in other countries of the region to ensure that regional programs complement bilateral assistance activities.

Constraints. Constraints to environmental assistance in East Asia include the weak government structures in the region, chronic budgetary deficits for national environmental programs, corruption which permits establishment of environmentally unsound enterprises, and USAID's inability to provide environmental assistance to several governments of the region.

#### **BUILDING DEMOCRACY (\$500,000).**

**SO 3.** Increase the number and effectiveness of community organizations working to make national and local levels of government in East Asia more accountable and responsive to the needs of its citizens, particularly women and the poor (\$500,000).

Many of East Asia's governments continue to operate in an adversarial relationship with their citizens or in a relationship in which the views and wishes of the citizens are neglected. Disadvantaged groups, especially women and the poor, are frequently ignored in governmental decision-making.

Activities. USAID will provide grants to PVOs to work, at both the national and local levels, to improve the communication between citizens and government and to promote more accountable and responsible governmental functioning. Focus will be on support for education, advocacy and policy work which improves the functioning of government and broad-based citizen participation. In addition, USAID will support targeted training and technical assistance for key government officials and private leaders to enhance governmental functioning, advocacy and citizen-oriented policies across the region.

Indicators. USAID will monitor country-level governmental program and policy changes which occur as a direct result of USAID intervention. In addition, USAID will monitor and report on training supported.

Feasibility and Cost-effectiveness. Given legal and policy constraints to working directly with several governments in the region, USAID will provide grants through PVOs to promote participation, public education, advocacy and policy change. The regional nature of this approach will capitalize on economies of scale, enhanced impact from cooperation among countries of the region, and demonstration impact of successful interventions in neighboring countries to maximize impact at the lowest possible cost.

Progress in 1993-1994. USAID has already supported democracy PVOs such as The Asia Foundation to promote participation and advocacy activities in the region. Bilateral programs in Cambodia, Thailand and Mongolia address participation by women and the poor. Democracy-related activities will be limited in scope, but will be addressed toward areas in which significant impact can be expected.

Donor Coordination. The regional mission in Bangkok has undertaken an assessment of democracy and governance activities in the region to ensure that planned assistance is provided within the context of overall donor assistance in the sector for East Asia. In addition, the regional mission works closely with bilateral programs in Cambodia and Mongolia and State Department representatives in other countries of the region to ensure that regional programs complement bilateral assistance activities.

**Constraints.** Constraints to democracy and governance assistance in East Asia include the negative image of democracy and governance programs held by several governments in the region, the weak government structures in the region, chronic budgetary deficits for national programs (particularly administrative reform programs which by their very nature are costly), corruption (especially as related to rent-seeking behavior of government officials), and USAID's inability to provide direct assistance to several governments of the region.

#### Other Donors

USAID assistance to displaced Burmese living on the border accounts for about 16% of all such assistance. USAID is not a major donor in Vietnam and Laos, and by 1996, it will no longer be a significant donor in Thailand. USAID is a significant donor in both Cambodia and Mongolia, although it plays a lesser role than the World Bank, the Asian Development Bank, the International Monetary Fund, and the Japanese. In general, the previously cited multilateral organizations including the United Nations Development Program plus the Japanese, French, Germans, Swedes, and Australians are the most significant donors in the East Asia region.

#### EAST ASIA REGIONAL FY 1996 PROGRAM SUMMARY

Strategic Objectives	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	Total
1. Improve the health and productivity of the young	\$2,000,000					\$2,000,000
2. Support environmental advocacy groups			\$500,000			\$500,000
3. Support democratic community organizations				\$500,000		\$500,000
<b>Total</b>	<b>\$2,000,000</b>		<b>\$500,000</b>	<b>\$500,000</b>		<b>\$3,000,000</b>

RSM/EA Mission Director: Linda N. Lion

**EUROPE AND NEW INDEPENDENT STATES**

**Thomas A. Dine**  
Assistant Administrator  
Bureau for Europe and the New Independent States

## EUROPE AND THE NEW INDEPENDENT STATES

FY 1996 Assistance to Central and Eastern Europe Request . . . . .	\$ 480,000,000
FY 1996 Assistance to the NIS Request . . . . .	\$ 788,000,000
FY 1996 Economic Support Fund Request . . . . .	\$ 149,600,000
FY 1996 Development Assistance Fund Request . . . . .	\$ 5,400,000

U.S. assistance programs in Europe and the New Independent States are uniquely structured to meet U.S. foreign policy challenges in the region. Overseen by two legislatively-mandated State Department Coordinators, one for Central Europe under the Support for East European Democracy (SEED) Act, and the other for the New Independent States of the former Soviet Union under the FREEDOM Support Act, the program is implemented by some 12 U.S. Government agencies. USAID manages the largest share of the program by far. A major element of the assistance to Russia, the Gore-Chernomyrdin Commission (GCC) is under the direct leadership of the Vice-President. The United States has provided additional funding under a separate appropriation (the Nunn-Lugar Act) for demilitarization and the disposal of weapons of mass destruction in Russia, Ukraine, Belarus and Kazakhstan. United States assistance to Cyprus and Ireland promotes social reconciliation through economic development. Assistance to Turkey supports an important ally of the United States.

## National interest

The outcome of the political and economic changes underway in the 27 countries of Central Europe and the New Independent States is profoundly important to the United States. The Cold War is over, the Soviet Union is dissolved and its Third World adventures in Africa, Asia, and Latin America are at an end. The failure of reform across the vast area of Central Europe and the New Independent States, however, could afflict the United States and its allies with new, unwelcome challenges from potentially unfriendly nuclear-armed powers and with high defense, security and international law enforcement costs. Another major cost of such a reversal would be a loss of economic opportunities created by expanded markets for U.S. business.

U.S. self-interest demands that we pursue changes that will make Russia and other formerly communist countries cooperative partners in meeting global challenges. Only if economic and political liberalization becomes irreversible can we fully reap benefits commensurate with 40 years of Cold War sacrifices. Benefits of reforms already include:

- The level of direct threat to the United States and our European allies has declined dramatically because of the fall of totalitarian communism.
- U.S. trade with the region has more than doubled since 1986 and has the potential to multiply dramatically. Private U.S. investment, previously nearly non-existent, has risen to nearly \$14 billion, principally in Central Europe.
- Increased security through reduction of nuclear and conventional threats has freed up resources and created opportunities for new investment in our own future at home and abroad. The "peace dividend," estimated to be as high as \$230 billion in reduced defense costs since 1990, permits greater focus on our domestic needs.
- In place of uniform hostility and mutual assured destruction, new relationships are evolving with the New Independent States and Central Europe for global problem-solving.

U.S. assistance must continue to help consolidate these gains, by empowering citizens of Central Europe and the New Independent States to renegotiate the role of the state in their lives and to seize the initiative to start new businesses and improve their communities. The United States and the rest of the nations of the interconnected global economy will be vastly better off if the nations of Central Europe and the New Independent States accelerate their transitions to democratic political systems and market economies.

#### The Development Challenge

For the United States, Central Europe and the New Independent States (NIS) pose a wide variety of unique challenges to our global assistance policy of promoting sustainable development. These are not underdeveloped countries, but rather they have been misdeveloped and are out of sync with international market forces. The challenge is not to develop human and physical infrastructure, as educational levels are for the most part relatively high, and lack of physical infrastructure is generally not the major obstacle to growth. The task is rather to assist these countries with the intellectual concepts needed to redirect their resources toward open and participatory political and economic systems. The need in most countries is not for a protracted program of economic assistance, but for strategically targeted support during a critical period of economic and political transition, followed by an appropriate phaseout. The challenges vary widely among Central Europe's Northern and Southern tiers, Russia, Central Asia and Ukraine, and the conflict-torn areas of the Caucasus and Tajikistan. Each nation faces a different set of circumstances, some requiring only brief transitional assistance, others humanitarian and conflict resolution support, while some face longer-term development challenges.

The extreme centralization of the Soviet period has left a hard legacy. It has fueled centrifugal forces that retard the consolidation of modern independent statehood on a democratic basis. Each state must define anew what nationhood means. Leaders with uncertain mandates must struggle with the heavy inheritance from the past as they build new democratic polities, new market economies, new structures to ensure security. Peoples whose familiar moorings are frayed or disappearing must determine their destinies among a bewildering variety of old and new options. The potential for instability is high, but the possibility for better futures -- more secure, more democratic, more prosperous -- is also brighter than ever.

#### Strategy and Objectives

The success of transition will depend primarily on efforts by the countries and peoples of the region. Past investments in people, production, and infrastructure have created the foundation for real growth, provided that laws, regulations, organizations, and attitudes can be reshaped to foster their efficient use. No single donor can provide the political will for governmental or market change, nor can it finance the massive investment needed to revitalize industry and infrastructure. USAID will, however, strategically support systemic change by helping develop the new institutional, policy, and legal frameworks that will enable these governments, private businesses and citizens to prosper in open democratic market economies. New businesses, non-governmental organizations, and individuals benefiting from these changes are becoming powerful constituencies for sustaining the reform process.

The SEED and FREEDOM Support Acts authorized programs designed to help formerly communist countries establish the underpinnings of democracy and a market economy. The programs are transitional in nature. Strategically, they seek to promote structural reforms that will make change irreversible. Assistance will be phased out based on progress in each country. As private ownership and other elements of the market system spread within former command economies, program emphasis is shifting to help restructure the social sectors to enable governments to deal with the human dimension of the radical economic dislocation caused by the disintegration of the communal

systems. Failure to recognize the serious short-term social costs of democratic and market changes and failure to deal with these consequences would endanger the future of continued economic and political reform in these societies. In some countries, such as Albania, Romania, and some parts of Central Asia and of the former Yugoslavia, there is a need for longer-term sustainable development assistance.

Programs have already begun to wind down in some countries of the Northern Tier of Central Europe. Except for a few limited regional activities, the Estonia and Czech Republic programs will phase out in FY 1996 and FY 1997, respectively. In the NIS, the proportion of FREEDOM Support Act funds going to Russia is being reduced, as a second wave of NIS countries institute economic and political reforms and can utilize well a growing proportion of total program funding. These shifts of resources will be monitored carefully to ensure that programs are not prematurely ended in individual countries before democracy and a market economy are placed on firm footings. The United States must remain prepared to continue the important task of helping these emerging democracies until the political and economic objectives of the program are secured. For example, Ukraine was initially slow to begin significant privatization and other fundamental economic reforms, but when it moved to a vigorous reform agenda supported by the IMF and the World Bank in late calendar year 1994, USAID was able to respond quickly with significant additional assistance.

ENI assistance programs have three strategic objectives:

1. **Economic Restructuring:** Foster the emergence of competitive, market-oriented economies in which the majority of economic resources are privately owned and managed.

Three critical processes must move concurrently throughout Central Europe and the NIS. The first is the demise of inefficient state structures that dominated production, distribution, and employment from Prague to Vladivostok. These state structures need to be dismantled, remade, or transferred to private hands to create the preconditions for growth. Second is the creation of laws and institutions critical to support and sustain a market economy. Markets without prudent regulation will not result in competition and transparency. Third is the emergence of new businesses (particularly small businesses) responding to market forces that will create jobs and meet the real demands of frustrated consumers.

USAID's challenge is to reinforce, strategically and tactically, these three dynamics of economic transition. USAID assists the transfer of state-owned assets to the private sector, helps establish more stable business environments, facilitates the expansion of private enterprise, promotes fiscal and financial sector reform, and supports the sustainable use of natural resources. In promoting improvements to the business environment, USAID-funded advisors, training and equipment are helping to draft policies, legislation, and regulatory procedures necessary to privatize government-owned assets, break-up monopolies, establish markets, and strengthen competitiveness.

2. **Democracy:** Support the transition to transparent and accountable governance and the empowerment of citizens through democratic political processes.

Overall, the democracy and governance strategy for Central Europe and the New Independent States assists in the transformation of communist governments to pluralistic democracies; helps make government transparent and responsive to the public by creating checks and balances against the arbitrary power of political leadership and the state bureaucracy; and creates the legal and informational environments necessary to facilitate community initiative outside government and protect individual rights. USAID assistance supports program objectives in these areas: democratic political process; rule of law; decentralization of public administration to local governments; increased participation of citizens and nongovernmental organizations in political and economic decision making, and strengthening independent media. Portfolio activities in many sectors, such as environment, strengthen citizen participation in civil society and create non-governmental institutions and local

government for where citizens can promote their concerns. The crucial challenge of growing crime and corruption receives direct attention through assistance of U.S. law enforcement agencies and through USAID's efforts to build prosecutorial and other functions critical to the rule of law.

3. ***Social Sector Restructuring:*** Strengthen the capacities to manage the human dimension of the transition to democracy and a market economy, and help sustain the neediest sectors of the population during the transition period.

The transition to market-based economies and democracy is threatened by "economic pain." Communism bankrupted the economies of Central Europe and the NIS and mortgaged away much of the future as countries depleted their natural resources and limited financial reserves to fund non-sustainable enterprises. When communism collapsed, it also brought forth the legacy of debt and inefficiency with which it had saddled the citizens of the region. As state-controlled production and distribution systems have collapsed, inflation has soared, industrial production has plummeted, and the delivery of state-subsidized social services has been interrupted. The only affordable and sure means of redressing this economic dislocation is to complete the transition to a market economy in which private businesses can create jobs, the real answer to these problems. Yet citizens of Central Europe and the NIS often view the reforms as the cause of their pain. Some backlash has been seen in election results and rising nationalism. USAID is helping these countries address immediate humanitarian needs of the most vulnerable groups, improve women's health and reducing the incidence of abortion by expanding access to modern family planning and restructure social sector systems to place them on a more sustainable basis.

The Central Europe and NIS portfolio has three program objectives in this area:

- (1) providing humanitarian assistance, particularly in Tajikistan, countries of the former Yugoslavia and the Caucasus, to meet emergency needs of women, children and the elderly;
- (2) developing regional or municipal-based models to restructure selected social service systems, to target limited budgets on vulnerable groups, while private sector systems improve the quality of women's health and other services; and
- (3) demonstrating ways of alleviating unhealthy environmental problems.

**The environment, a cross-cutting concern:** Attention to environmentally sound growth is an important cross-cutting theme affecting all objectives. Under communism, the entire region long neglected this issue, and there is a serious need to support the policy, legal, regulatory and institutional reforms necessary to address environmental concerns. Nongovernmental organizations need strengthening to keep governments focused on the environment, in order to reduce threats to human health and to promote sustainable natural resource management. In the long run, a market economy will remain viable and publicly supported only if it operates on a sustained basis in a way that protects its environment, utilizes resources wisely and treats people with decency and respect.

#### Program Focus and Expected Results

Europe and NIS country strategies concentrate on core reform areas that are fundamental to creation of democratic market economies: privatization; development of legal, regulatory and institutional mechanisms to support private business; development of financial markets; fiscal reform; democratic political process, rule of law, and local government capability; environmental risks to human health; more efficient targeting of benefits and delivery of essential social services; and promoting recovery from civil strife. The pace of the transition will continue to vary from country to country in the region, as will the sequencing and relative emphasis of these priorities. But the ultimate goal of U.S.

assistance will be constant: to put in motion a process of fundamental and self-sustaining change and then to phase out assistance rapidly. USAID is working in tandem with other U.S. Government agencies that receive funding through the FREEDOM Support Act to ensure that programs are mutually reinforcing and more closely coordinated. Technical assistance and commodities provided with FY 1996 funding will contribute to achievement of the following:

- As a result of our privatization assistance, there will be significant increases in the proportion of productive capacity in private hands and in number of people across the region that are participating in securities ownership. Land and housing privatization is a difficult issue to work on, but since it is fundamental to ensuring broad-based popular support for reforms, and provides collateral for the development of market-based commercial lending, we will complete the testing of a number of pilot approaches to help accelerate this process by early 1996, and implement the most promising ones more widely thereafter.
- In the financial sector, a critical mass of commercial bank privatizations and systems for bank supervision in Central European countries will be completed by the end of 1996. The number of institutions providing financing for mortgages and municipal infrastructure will be expanded. Functioning over-the-counter securities markets and stock exchanges will be established in Russia and in Central Europe by the end of 1996, and this will better mobilize domestic savings and international investment to raise capital for businesses.
- Pilot demonstrations in environmental waste minimization and energy efficiency are in place in most countries, and over the next few years we will promote their replication. Results on reducing environmental risks to human health will take longer to achieve. By end of 1996, we will introduce key technologies on a pilot basis and facilitate trans-national agreements on approaches to multi-national pollution problems, at least in Central Asia and on the Poland-Czech border.
- In Central Asia, election laws and procedures that meet acceptable international standards will be in place by mid-1996, and by end of 1996, new or revised codes that protect individual rights and legislation that provides for an independent judiciary should be in place by end of 1996. In Russia, independent television media will be well established, and accessible to a large share of the population in 1997, and legislation and judicial training will also be in place by 1997 to promote judicial independence thereafter. In Central Europe, where independent print media are already well developed, and free and fair electoral processes and parliamentary structures are well established, judicial training and judges' associations will also be strengthened to promote greater judicial system independence.
- In Central Europe, local government capabilities will also be strengthened, especially fiscal management (revenue generation and budgeting), transparent systems allowing procurement from the private sector will be in place, and local governments will be successfully lobbying for a fair share of central fiscal revenues and managing social services that have been decentralized to the local level, at least on a pilot basis.
- Across Central Europe and the New Independent States a core group of diverse pluralistic non-government organizations will be established in almost all of the countries, and in most cases we expect them to begin to show evidence of their effectiveness in lobbying for changes in legislation, regulations, and policy at both the national and local levels.
- Early ages of retirement, poorly targeted welfare systems, and lack of modern distribution through a banking system makes pension and welfare payments systems more costly than is now affordable. In Poland, Hungary, Slovakia, and Russia, we will develop and test approaches to revising and better targeting benefit levels, modernizing and decentralizing services to local government level to realize significant cost-savings, and eliminating non-

essential services unless they can be privately provided. In these countries, on a pilot basis, we will introduce a greater private sector role and new approaches to such income transfers as pensions, unemployment compensation, and welfare, and services such as health care.

Despite the regional nature of the Central European and NIS programs, the results that will be achieved with FY 1996 and future year funding will vary significantly from country to country. USAID is in the process of establishing country-specific targets for all country programs in the region. Field missions will report semi-annually on progress toward achievement of those targets, and program funds will be directed to where important outcomes are most likely to be achieved. The first complete set of these country-specific targets will be in place in April, 1995, and an illustrative sample of them can be found in the country narratives of this document.

#### Results Achieved

But results are already being achieved across the portfolio of assistance activities in the region. Private ownership has taken off, and private production now accounts for 50% of GDP in Russia and Poland, 65% in the Czech Republic and 55% in Hungary. Support for Russian privatization illustrates how USAID is helping to change the nature and orientation of transition economies in Central Europe and the NIS. USAID helped establish a nation-wide voucher system, which enabled about 70% of Russian industry to be privatized and 40 million Russian citizens to become shareholders. As a result of U.S. assistance, over 40% of the industrial labor force now works in the private sector, and 30% of Russian households own their homes.

USAID assistance with privatization and new private business start-up has contributed substantially to private sector growth in Central Europe and the NIS. An estimated 65% of Czech GDP is now produced in the private sector. The new private sectors of Hungary, Poland, Slovakia, Estonia, Latvia, Russia, Albania, and Lithuania each produce about 50%-55% of GDP. In remaining countries, the private sector share of GDP in mid-1994 hovered between 20% and 40%.

In the transition to democracy, USAID has contributed to the successful implementation of credible and effective elections across the region. Free elections, however, are no guarantee that the political reform process will be continued. Successful democratic transitions are the result of an array of institutional and societal reforms in the core areas of USAID's democracy program - democratic processes, the rule of law and judicial reform, and strengthening of local government and civil society, including independent media.

With USAID assistance, most parliaments in the Central Europe and many in the NIS have enacted critical political reforms, including the passage of new election laws, which help ensure fair and democratic elections. New constitutions and election and civil liberties laws have been adopted by parliaments in Russia, Kyrgyz Republic and Hungary. Judicial systems in Russia, Ukraine, Kazakhstan, and throughout most of Central Europe are becoming more professional, independent, and equipped to resolve private property and criminal justice issues. USAID advisors are helping to reform judicial procedures, train judges and lawyers, develop bar associations, and revamp law school curricula - with good results. USAID has supported the expansion of independent media throughout the region. Non-governmental organizations (NGO's) are flourishing in some countries and just beginning in others. Parliaments in the Czech Republic, Bulgaria and Poland have adopted new laws that strengthen public participation in environmental impact assessments. In the area of public administration, U.S. assistance is facilitating decentralization and increased transparency and accountability. For example, officials from major municipalities in Poland, Russia, Bulgaria, Czech Republic, and Romania benefit from pilot training projects designed to increase local governments' capacities to manage resources and provide public services.

Despite these successes, policy makers in European and NIS countries recognize that the transition to market-based economies is threatened by the legacies of the past. The bankruptcy and eventual

collapse of the previous system have, in most cases, resulted in many human dislocations wrought by inflation, unemployment, and the end of state-subsidized social services. However, public support for reform requires that people see that their current economic hardships will be addressed by the transition to a market economy.

In response, USAID's strategy has been to foster a mix of short, medium, and longer-term activities and policies in the social sector. Immediate humanitarian needs are addressed to mitigate hunger, winter cold, and other hardships in strife-torn Republics. Since the program's inception, USAID has coordinated with the U.S. Department of Agriculture in reaching well over 2 million people with essential food products. Epidemics of measles and other childhood diseases have been prevented by vaccination of over 500,000 children in Central Asia.

USAID is aware of the need these countries face to address economic hardship during the transition. The economic transformation process supported by USAID will for the long term provide the key to significant job creation in an expanding private sector. Rapid completion of this process is the most important approach to alleviating this economic hardship. Short-term efforts seek to address these concerns more immediately. In health, all USAID-funded medical partnerships report improved productivity in the provision of hospital services, while women's access to modern reproductive health services has been increased in the Central Asian Republics and Romania. New programs begin this year in Russia and the Ukraine. Environmental health risks in specific demonstration sites have also been significantly reduced through USAID assistance.

In the longer run, USAID is encouraging European and NIS governments to redefine their roles at national and local levels and introduce private sector concepts and management practices in the provision of social services and benefits. USAID-funded activities are demonstrating alternatives in health care financing in Albania, Bulgaria, Czech Republic, Hungary, Poland, Russia and Slovakia and are supporting policy dialogue at the national level for health care reform in Central Asia and Ukraine. USAID is also helping to redirect housing subsidies to the neediest in Russia, Poland, Slovakia, Kazakhstan, and Hungary. Results in housing reform in Russia and Hungary already show that the new market-based rents more than cover the cost of these targeted housing allowances to the poor.

At the same time, it is increasingly evident that crime and corruption pose potent threats to continued progress. USAID's initiative in this area includes support to criminal justice reform and funding for law enforcement work by other USG agencies.

Exchanges and training programs support reform efforts by building skills in specific technical areas. They also provide exposure to U.S. culture and values, U.S. business management practices and free market and democratic principles. Massive numbers of citizens of Europe and the NIS, exceeding those of the Marshall Plan days, are participating in U.S. Government programs implemented or financed by USAID.

Recent developments in the peace process in Ireland provide an improved environment for the success of on-going International Fund for Ireland efforts. On August 31, 1994, the Irish Republican Army (IRA) declared an end to 25 years of armed struggle. In the wake of the cease-fire, the two governments have taken several steps to advance the peace process; and the British government has begun to engage Sinn Fein, the political arm of the IRA, in roundtable discussions to continue the peace process.

#### Other Donors

The United States has provided nearly half of the official development assistance to Central Europe since 1989, and nearly a fifth of all official aid to the NIS. The other major donors are the World Bank, the European Bank for Reconstruction and Development, and the European Union.

The program in Europe and the New Independent States has demonstrated that close coordination with other donors and the multilateral banking community can leverage substantial resources to complement modest investments of U.S. resources. For example, USAID grant-funded technical assistance of about \$100,000 helped establish the basic legal and institutional framework for a \$15 million World Bank housing credit to Albania to complete 4,500 housing units that would be sold for ownership as condominiums. A \$1.3 million complementary package of technical assistance is being funded and managed by USAID to provide technical advice in banking and finance, procurement planning, housing operations management, and legal policy. USAID is providing technical assistance designed to help municipalities in Russia effectively utilize a forthcoming \$400 million World Bank Housing Sector Reconstruction Loan.

The USAID-funded Enterprise Fund in Poland set up the Polish Private Equity Funds to attract additional capital investment in Polish small and medium-sized businesses. The Fund's investment of \$50 million leveraged an additional \$100 million from the European Bank for Reconstruction and Development (EBRD), Kreditanstalt, Oesterreichische National Bank, and U.S. private investors, largely because those donors were impressed by the Fund's own track record in making over \$100 million in investments in a previously unfamiliar environment in Poland. The Polish-American Enterprise Fund also leveraged \$50 million from the EBRD for investments in mass privatization, and discussions are ongoing to leverage additional World Bank credit lines. Other Enterprise Funds are expected to draw private resources as well.

After accepting all the NIS as new members in 1992, the World Bank has entered into lending programs with all but Tajikistan and Turkmenistan. The Bank has had some difficulty implementing some programs. USAID-financed technical assistance has been an important mechanism for accelerating loan preparation and implementation in housing, energy and privatization. An energy sector grant in Ukraine closely complements work of the World Bank in power sector restructuring. USAID has accelerated World Bank and EBRD energy loans to Russia for gas distribution, to Armenia for power generation and to Georgia for thermal and hydro power.

Group of Seven (G-7) nations meeting at the Tokyo Summit in July 1993 created a \$3 billion special privatization and restructuring program for Russia. USAID's bilateral contribution, the Fund for Large Enterprises with Russia, is complemented by efforts of the EBRD and other donors. The EBRD has approved four regional venture funds, with G-7 technical assistance funds leveraging \$30 million in EBRD equity for each fund. The EBRD also funds half of a \$300 million Russia Small Business Fund to provide newly created small and micro enterprises in Russia with credit and technical assistance. USAID's initial \$2 million contribution helps fund a pilot program to test approaches for the full program.

The EBRD's Small and Medium Enterprise Fund provides similar lending in Belarus, Ukraine, Kazakhstan and Uzbekistan. In nuclear power safety, the EBRD administers the multinational Nuclear Safety Account, to which USAID has contributed \$14 million. This program funds immediate safety improvements in high risk reactors in Bulgaria, Lithuania, Russia and Ukraine.

The cost of building the foundations for a permanent peace in Bosnia will be in the billions of dollars. Most of it will have to come from the European Union nations and international financial institutions. For this to happen, the United States must lead. A U.S. contribution of \$60 million is proposed as an example to other donors.

#### FY 1996 Program

Under the Support for Eastern European Democracy (SEED) Act, \$480,000,000 is requested for Eastern Europe for FY 1996, of which \$246,000,000 is to complete the transition to a market economy, \$73,000,000 will be used to support the transition to democracy, \$101,000,000 is for

social sector restructuring and humanitarian relief, and \$60,000,000 is for the reconstruction of Bosnia.

USAID requests \$788,000,000 under the FREEDOM Support Act for activities in the New Independent States of the former Soviet Union. These funds will be allocated initially in the following manner against three strategic objectives: \$504,000,000 for economic restructuring support, \$148,000,000 toward democratic transition and \$136,000,000 for social sector restructuring and emergency humanitarian relief.

The Administration requests \$105,000,000 in Economic Support Funds and \$5,400,000 in Development Assistance Funds for Turkey, \$29,600,000 in Economic Support Funds for Northern Ireland, and \$15,000,000 in Economic Support Funds for Cyprus.

## ALBANIA

FY 1996 Assistance to Central and Eastern Europe Request . . . . . \$ 31,000,000

When democratic elections were held in March 1992, Albania, the poorest country in Europe, emerged from a 47-year legacy of almost total isolation and repressive communist dictatorship. The new government immediately embarked on an ambitious macroeconomic and structural reform program for which donor support continues to be critically needed. Supporting a peaceful and sustained democratic, and economic transition in Albania contributes to the U.S. foreign policy objective of promoting stability in the Balkans.

#### The Development Challenge.

Albania faces all the challenges of an economy in transition from an authoritarian, command-driven system to one which is democratic and market-oriented. With a per capita gross domestic product (GDP) of approximately \$400, Albania also faces the developmental challenges common to many poor, developing countries.

The Albanian economy suffered a 50% decline in real output during 1990-1991, which included a 70% drop in industrial production and a 30% decline in agricultural output. Unemployment levels are very high, having peaked at about 40% in 1993 and currently standing at 20%-25%. Much of the economic collapse is attributed to supply and transport bottlenecks associated with collapse of the central planning system and to disruption associated with the spontaneous mass privatization and fragmentation of land. While much progress has occurred since 1992 in establishing democratic institutions, there have been increasing characterizations of the Albanian government as incompetent and corrupt. Institutionalizing certain democratic concepts -- rule of law, independence of the judiciary, executive oversight by the parliament, independence of the media, and decentralized governance -- is critical at this stage of Albania's development.

#### Strategic Objectives (SOs).

USAID is pursuing the following strategic objectives in Albania.

#### ECONOMIC RESTRUCTURING (\$23,227,000).

SO 1. Foster the emergence of a competitive, market-oriented economy in which the majority of economic resources are privately owned and managed (\$23,227,000).

##### (A) Agricultural sector restructuring.

The agricultural sector, which constitutes over half of Albania's economy, continues to lead Albania's economic growth. Agricultural production increased by an estimated 13%-14% in both 1992 and 1993. Virtually all agricultural land is now in the hands of private farmers and is intensively cultivated. Farmers still face a number of problems in the agricultural sector which must be resolved if production increases are to continue: the generally poor state of irrigation infrastructure, lack of reliable supplies of quality fertilizer and other agricultural inputs, lack of new technologies, weak market access for their products, and the need for a viable land market in order to consolidate the small parcels which dominate Albanian agriculture. Farmers also need improved policies to promote markets and encourage sound environmental practices.

Activities. USAID, through an agricultural restructuring project, is training a policy unit within the Ministry of Agriculture and Food; developing Ministry capability to plan and carry out periodic crop surveys and to implement a market information system; establishing an agribusiness development center in cooperation with the Albanian private sector; assisting the Agricultural University of Tirana

with curriculum development in agricultural economics, upgrading library and laboratory facilities and faculty training; and implementing a pilot property registration system in three districts. In a separate effort focused on removing agricultural input bottlenecks, USAID is helping a nitrogen fertilizer factory become commercially viable so it can be privatized. A forestry project will address problems of deforestation, erosion and overgrazing through work with farmers and private tree nurseries, policy advice, and a public education campaign. USAID is also supporting the National Albanian Farmers' Union, founded to lobby for agricultural legislation and regulations which will serve, not harm, farmers' interests. USAID is supporting agribusiness development through the Farmer-to-Farmer program. Through a network of women dairy extension agents, training and workshops are being offered to more than 3,000 women dairy producers. To provide credit and equity capital to small and medium-sized enterprises in Albania, an Albanian-American Enterprise Fund will be established.

**Indicators.** The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) land registration offices are open and functioning in three or more districts by the end of 1995; (2) successful lobbying by Albanian farmers and fertilizer dealers to remove the turnover tax on imported fertilizer by December 1995; (3) commercial lending to agricultural input dealers is increased from 190 million lek in 1994 to 500 million lek in 1995; (4) a nationwide study of agricultural marketing is completed and a strategy for private wholesale markets is developed by December 1995; and (5) Forestry Directorate personnel are providing extension services to farmers in four districts by December 1996.

**Progress in 1993-1994.** A strong agricultural sector response to economic reform measures, including land privatization and price reform, led the Albanian economy to impressive 11% and 8% real growth rates in 1993 and 1994 respectively, the highest in Europe. The agricultural sector itself grew an estimated 13%-14%. A number of USAID-funded projects have contributed to these results. USAID helped privatize the supply and distribution of agricultural inputs while also providing an initial supply of U.S.-sourced fertilizer. As a result, a network of knowledgeable, private sector agricultural dealers now is working hard to meet farmers' demand through domestic and international procurement of inputs. Improvements in crop yields have resulted. Within the framework of the agricultural restructuring project, a major piece of legislation, the Immoveable Property Registration Act, was drafted and subsequently enacted into law. This has rationalized the spontaneous privatization of about 95% of agricultural land. Surveying and mapping, resulting in the issuance of title to lands, were started in three pilot districts. The USAID-supported dairy training activity has given women dairy producers a new sense of empowerment; they organized informal credit channels and invested in new and improved small and micro dairy enterprises.

**Donor Coordination.** The World Bank, the European Union (EU) Phare and the British Government are collaborating with USAID in helping Albania establish a land market. USAID also is working with the UN Food and Agriculture Organization (FAO) in providing advisory support in agricultural policy. The German Government's support to the Agricultural University complements the USAID activities. USAID's forestry project will be coordinated with a broader World Bank environmental program for Albania.

**Constraints.** Severely underdeveloped transportation and communication infrastructure constrains agriculture and agribusiness development, as does collapse of the food processing industry. The introduction of land taxation at the same time a private property registration system is being developed could impede the latter effort. Farmers may not be willing to register their land in a timely and accurate manner if the tax collector is close at hand, and many refuse to accept marginal land which is unproductive.

(B) Promoting a market economy.

Albania continues to progress in undertaking macroeconomic reforms: including liberalizing prices, introducing a tax regime, strengthening budgetary management, reducing budgetary subsidies and

establishing a modern central bank. Major problem areas include a continuing high rate of unemployment, difficulty in tackling the privatization of large state-owned enterprises, and hesitancy in addressing an overhaul of the banking sector. Within this environment, USAID will focus increasing attention on financial sector reform and privatization.

Activities. USAID provides advisory support to the Ministry of Finance, the Bank of Albania (central bank) and to potential Albanian private banking institutions. Policy advice also is being provided to the National Agency for Privatization to accelerate privatization of large state-owned enterprises, as well as to the Ministry of Industry, Transport and Trade to support Albania's accession to the World Trade Organization (WTO), improve the investment legal and regulatory framework, develop policy related to intellectual property rights, and increase Albania's substantive participation in international trade and economic negotiations and agreements.

Urban land development and management and privatization and reform of housing and municipal services are the aims of an urban development activity being conducted in collaboration with the World Bank. USAID is funding a job skills training program to provide Albanians with skills relevant to a market economy. Through a university-to-university project, an MBA degree program is being introduced in the Faculty of Economics and Business at the University of Tirana. The historic American presence and high standards of vocational and business education are being restored at the Technical School of Tirana. The School's new Business Development Center will offer outreach services from the school to local businesses.

A new small business and microenterprise development project is providing assistance to branches of the Savings Bank in implementing a small and microenterprise credit program, which will be complemented by advisory services to small business entrepreneurs.

Indicators. The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) private sector employment increases from 840,000 to one million Albanians by January 1996; (2) 100% of eligible housing is privatized by the end of 1997; (3) real GNP increases by at least 5% in both 1995 and 1996; and (4) one to two new private banks are licensed in 1995.

Progress in 1993-1994. In collaboration with the international donor community, USAID worked closely with a progressive, reform-minded government to push forward an ambitious economic stabilization and structural adjustment program. Key components included price and exchange system liberalization, fiscal consolidation, monetary restraint and a firm income policy. These were complemented by significant progress in constructing a legal framework for a market economy. Most prices have been liberalized and are now at or near international levels. Privatization of agriculture, housing, transport and retail shops is virtually complete, while options for privatization of large state-owned enterprises were considered. Results of Albania's efforts have been encouraging. According to European Bank for Reconstruction and Development (EBRD) estimates, the private sector share of GDP was approximately 50% in 1994. The aforementioned GDP growth was accompanied by annual inflation of approximately 30% in 1993, down from rates of 250% in 1991 and early 1992. Inflation in 1994 was further reduced to 24%. Direct foreign investment, which totalled \$39 million in 1993 and 1994, is steadily increasing. The lek remained stable and actually appreciated against the dollar in 1994. In the area of financial reform, the Government of Albania developed, for the first time, a national budget based on actual revenues and expenditures; a government securities market was established; and advisory assistance was provided in bank accounting systems and bank licensing.

Negotiations continued towards a joint venture agreement with a foreign partner for the privatization of Albcrome, the chromium parastatal and largest source of Albania's foreign exchange earnings. Economic and technical studies also were completed which determined the feasibility of privatizing, rather than liquidating, the Fier nitrogen fertilizer factory. Advisory support for restructuring the enterprise on an economic basis was provided, and the factory was able to sell all of its product to farmers.

A USAID-supported job skills training program has trained about 9,000 Albanians (many from families of former political prisoners) in small business management, computers, English, secretarial skills, auto mechanics, tourism and hotel management. The program was recently expanded to two additional cities (Shkodra and Korca), bringing the number of centers to five. A job placement and counselling service has been established in the Ministry of Labor, and the Ministry has assumed all Albanian personnel costs and financed the renovation of all training center facilities.

A condominium law was passed which will now provide the basis for tenants' associations to maintain public areas and grounds, and over 1,500 unfinished housing units were completed under the joint USAID and World Bank housing sector reform program.

Donor Coordination. Macroeconomic policy advice funded by USAID is closely coordinated with the International Monetary Fund and the World Bank. Privatization assistance in Albania has been carried out in connection with the EBRD, the World Bank, and the Italian Government. USAID technical assistance in reforming the housing sector helped leverage a World Bank loan to finance the completion of unfinished apartments to be sold to individuals.

Constraints. The potential for spillover of the conflict in former Yugoslavia into Albania in the form of refugee flows from Kosovo (or, worse, engagement of Albanian and Serb military forces in Kosovo or Albania) constrains international investor interest in the country. If significant refugee flows do occur, the effects on Albania's weak economy would be devastating. The lack of physical infrastructure (power, water supply, highways, telecommunications, etc.) also indefinitely constrain Albania's overall transition to a market-based economy. A weak and non-transparent legal system and continuing disputes between current and former land owners deter foreign investors.

#### **BUILDING DEMOCRACY (\$2,615,000).**

**SO 2. Foster democratic institutions through enhancing citizen participation in the democratic process, improving the institutional capabilities of parliament, and upgrading the judiciary and legal systems (\$2,615,000).**

The basic concepts underpinning democracy -- popular representation and participation in government, diversity in ideas and sources of information, the rule of law and respect for human rights, and civilian control of the military -- have been introduced in Albania, but support for their institutionalization is very much needed. After 50 years of centralized governance, Albania is just beginning to develop autonomous regional and local government. The Government of Albania is also stressing and developing civilian control and professionalism of its military. In November 1994, a referendum on a draft constitution was defeated by popular vote. Although initially shocked and dismayed by this defeat, the Government now recognizes it as a successful "test" of democracy: Albanians must, and will, no longer vote the way the Government would wish. To learn from this experience is good preparation for all political parties in looking ahead to the March 1996 general elections.

Activities. USAID efforts to increase popular representation and participation in government include: strengthening the capacity of the Albanian People's Assembly (parliament), particularly in understanding its role and responsibilities toward constituents; working directly with citizens and citizen groups to strengthen their ability to be active, effective participants in the political process; and supporting national, regional, district and local efforts by decentralizing government decision-making. USAID is providing technical assistance for legal and judicial reform, as well as helping the Albanian Government to define its role in the administration of justice and the protection of human rights.

A major new effort will support the efforts of Albanian nongovernmental organizations (NGOs) in specific dimensions of public advocacy (minority rights, environmental issues, economic issues, democracy, etc.) through the award of grants approved by the Embassy's Democracy Commission.

USAID projects, implemented through the U.S. Information Agency (USIA) are helping to develop civics curricula at the secondary level, developing English teaching materials, translating educational materials into Albanian, and arranging study tours and scholarships in the United States as various means of increasing Albanians' access to new information and ideas. Assistance is being provided to the broadcast media, essentially state-owned, to develop its independence and to build its capacity.

Indicators. The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) free and fair elections take place in early 1996, as judged by impartial observers; and (2) all major parties have functioning offices in most important districts by early 1996.

Progress in 1993-1994. The capacity and capability of the Albanian Parliament to function more effectively and efficiently were reinforced by furnishing a new sound and electronic voting system, library materials, computers, ancillary office equipment and two offset printing presses. In six district-level workshops, parliament's deputies, parliamentary commissions and political parties were advised on how to develop and sustain closer contact with their constituents. The Society for Democratic Culture, an Albanian NGO receiving USAID support, effectively monitored the constitutional referendum and continued to address topical issues of the day through one-day seminars sponsored by its 36 branch clubs. A consortium of independent newspapers received a printing press, newsprint and training. Legal assistance was offered to the Ministry of Justice, the Parliament and the University of Tirana's Law Faculty in drafting and reviewing legislation. Both a Judges' Association and an Albanian Bar Association were founded with USAID organizational assistance.

Donor Coordination. USAID has developed strong contacts with the Albanian NGO community and also coordinates training activities with, and often through, the Soros Foundation. Other donor colleagues with whom USAID coordinates its activities include the German Government (GTZ) in the area of legal drafting and the EU Phare Program, the Organization for Security and Cooperation in Europe (OSCE) and the Council of Europe in the area of democracy-building.

Constraints. Continued commitment by senior government to democratic reform is critical if USAID democracy activities are to be effective. If conflicts with neighboring Greece, Former Yugoslav Republic of Macedonia, or Serbia and Montenegro occur, the government may divert attention from its domestic democratic reform agenda.

#### **SOCIAL SECTOR RESTRUCTURING: (\$5,158,000).**

**SO 3. Strengthen the capacity to manage the human dimension of the transition to democracy and a market economy and help sustain the neediest sectors of the population during the transition period (\$5,158,000).**

Albania is, and for the near future will remain, the poorest country in Europe. Prices for food, basic social services and public utilities, which were previously controlled or subsidized, now approach or have reached world market prices. In general, salaries have not kept pace. Remittances from abroad (an estimated 15% of the labor force is out of the country) provide critically important relief, but not all Albanians are lucky enough to have a supplemental source of income.

Activities. USAID's initial approach was to target the crisis areas of food shortages and a lack of basic medicines and medical supplies. With the recovery of the agricultural sector from its collapse in 1991-92, emergency food aid has not been necessary since early 1993. It was distributed, along with other donor food aid, through the Albanian Red Cross and the International Federation of the Red Cross. In response to urgent requests from the Ministry of Health, emergency shipments of medicines and medical supplies were provided to stock hospital stores and pharmacies throughout Albania.

The Bronx Municipal Hospital Center, the Ministry of Health, the University Hospital Center, the Maternity Hospital and the Trauma Hospital established a "partnership in health care" with a focus on

emergency medicine, women's health and health administration and management. Extensive in-country training in health care administration and management was offered to Ministry and hospital administrators, managers and financial officers. USAID is supporting the Center for Street Children in Tirana, where staff provide child care and counselling for children and parents in an effort to discourage public begging as an important, if not sole, source of family income.

Indicators. The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) a new pharmaceutical procurement system, based on hospitals' group orders, results in better supplies and services for the patient-customer; (2) measurable lower rates of infection, morbidity and mortality by December 1997 as a result of health management and clinical improvements at the University Hospital Center; and (3) the Center for Street Children provides day care and counseling to about 50 children by late 1995.

Progress in 1993-1994. Under the PL 480 Title II program, the final shipments of foodstuffs, valued at \$2.6 million, were distributed to nutritionally at-risk mothers and children. A final airfreight shipment of more than \$2 million in medicines and medical supplies was delivered in Spring 1993 and immediately distributed to all district hospitals.

About 100 Albanian ministry and hospital directors, department chiefs and controllers were trained in two short courses at the Ministry of Health. To better help them to apply what they had learned in the classroom, pilot demonstration activities were designed and started with the University Hospital Center and the Durres Hospital. USAID health activities have resulted in preliminary planning for the design of health administration and finance courses for the Albanian medical school. Two USAID-assisted demonstration hospitals are developing strategic plans and financial management and pharmaceutical procurement systems as models for the Albanian health sector. In late 1994, the first exchanges of health and clinical personnel between the U.S. and Albanian hospital partners were completed.

About 30 children between the ages of four and 15 came to the Center for Street Children in Tirana daily for tutoring, hot meals, medical care and loving attention. Family counselling was provided on a sustained basis.

Donor Coordination. USAID is closely coordinating efforts with the World Bank, the French Government and the EU Phare program to support the implementation of the Ministry of Health's health sector strategy.

Constraints. Unemployment, although lower than in 1991-92, is nevertheless stabilized at about 20%-25%. The lack of dependable electricity and water supplies, particularly over the winter months, constrains investment potential which, in turn, dampens prospects for an improved standard of living. The seriously deteriorated physical infrastructure of hospitals and clinics has its inevitable negative impact upon general health conditions.

#### Other Donor Resource Flows.

According to Group of 24 statistics, the United States has provided about 35% of technical assistance to Albania. Other major bilateral donors are Italy, Japan, Germany, and Switzerland.

ALBANIA  
FY 1996 PROGRAM SUMMARY

USAID Strategic Objectives	
Economic Restructuring	\$23,227,000
Building Democracy	\$ 2,615,000
Social Sector Restructuring	\$ 5,158,000
Total	\$31,000,000

USAID Representative: Dianne Blane

## ARMENIA

FY 1996 Assistance to the NIS Request . . . . . \$ 30,000,000

Armenia is the smallest and one of the most homogenous of the New Independent States, with strong ties to the West via the active Armenian diaspora. It has favorable long-run prospects for success in the transition from a Soviet state to a democratic nation with a market economy, owing in part to the consensus of its people and its leaders about the direction in which it is moving and considerable donor support. Armenia has been troubled by conflict over the mostly Armenian-populated region of Nagorno-Karabakh in Azerbaijan. At least for the immediate future, the continuing crisis necessitates a strategy centered on helping Armenians meet basic living requirements by providing food and fuel to vulnerable groups, preventing or containing communicable diseases and improving access to energy for electricity, heat and cooking. Despite its hardships, Armenia has made significant efforts toward economic reform. The United States supports these reform efforts, partly through humanitarian assistance, which enable Armenia to proceed with reform, and partly through technical assistance aimed directly at economic and financial sector reform. In the event of a settlement of the Nagorno-Karabakh conflict, the emphasis of U.S. assistance will shift further from humanitarian assistance to increase technical assistance in support of economic reform.

#### The Development Challenge.

Each of the three Caucasus republics is experiencing ethnically-driven conflicts with resultant refugees and displacement of populations, severe distortion of trade and economic activity, massive drain on public revenues, and curtailment of investment. Energy is a paramount concern for the region and issues of pollution, embargoes, pipeline safety and inefficiency make energy a common denominator in regional development.

For Armenia, the challenge of successful transition to a full and stable democracy and a market economy is increased by circumstances resulting from the Nagorno-Karabakh conflict. Under an embargo by Azerbaijan and a closed border with Turkey, Armenia lacks many of the basic goods needed to sustain economic activity. The Armenian government has been largely preoccupied with the preservation of basic social services and economic activities needed to prevent hunger, suffering and political unrest. The government has taken significant steps to stabilize the dram, reduce budget deficits, and decrease inflation, and there are some indications of small increases in production output. The international donor community remains skeptical that economic reforms will produce sustainable results, however, as long as the Nagorno-Karabakh conflict and the economic blockade continue. Despite these circumstances, since independence in 1991 Armenia has been governed by an elected President and parliament and has not experienced significant backlash against the reform policies of the leadership.

U.S. assistance began in 1992 with emergency supplies and reached a high point in 1994 with humanitarian assistance consisting of food, fuel and medical supplies and technical assistance in critical sectors of the economy. The United States has expended a total of over \$400 million in humanitarian assistance for Armenia since 1992, largely in humanitarian food aid administered through the U.S. Department of Agriculture. Increasingly, USAID assistance is aimed at long-term development goals related to macroeconomic reform, private sector development, energy infrastructure and housing sector reform. In the event of a peaceful settlement of the Nagorno-Karabakh conflict, the emphasis of U.S. assistance would shift dramatically from humanitarian programs to long-term development in the economic and financial sectors.

#### Strategic Objectives (SOs).

USAID is pursuing the following strategic objectives in Armenia.

**SOCIAL SECTOR RESTRUCTURING (\$16,000,000).**

**SO 1. Strengthen Armenia's capacity to manage the human dimension of the transition to democracy and a market economy, and help sustain the neediest sectors of the population during the transition period (\$16,000,000).**

Adding to the difficult social and economic adjustments inherent in the post-Communist economic transition are the additional problems resulting from the embargo of Armenia. The country has endured three winters with little fuel or electricity and reduced food supplies. Industrial output and agricultural production are crippled by the fuel shortage and by inaccessibility of other critical inputs. Massive unemployment or underemployment and long periods with inadequate supplies of food, fuel, and medicine have had a cumulative effect on the population; there are discernible signs that general health and welfare are eroding. The United States has demonstrated a strong and consistent response to Armenia's humanitarian crisis. While it will be necessary to continue food and fuel aid for the 1994-1995 winter and perhaps beyond, U.S. assistance is also strengthening Armenia's own capacity to manage crises and increase self-reliance.

Activities. (a) Provision of food, fuel and health assistance: The United States' highest assistance priority continues to be to reach the vulnerable population within Armenia with enough winter heating fuel and food to prevent suffering or loss of life. U.S. food aid, primarily wheat, will continue to be provided by the U.S. Department of Agriculture under Food for Progress and Section 416 programs. Additional assistance in 1994 was authorized through a one-time activation of the Food Security Wheat Reserve. FREEDOM Support Act resources have already been made available for an additional special feeding program for vulnerable groups that will continue into the next winter. Support also is being given to increase local food production. USAID funds will support an emergency health and nutrition surveillance system for Armenia with assistance from the Centers for Disease Control and Prevention. Pharmaceutical and medical supplies will also be provided.

(b) Poverty alleviation: The Armenian government is working with the World Bank to develop a Socio-Economic Rehabilitation Fund to mitigate unemployment and production stagnation. USAID and the government have initiated a pilot project, which will serve as a prototype for the larger World Bank project, scheduled to come on line at a later date. The fund will create jobs at the local level by financing labor-intensive local public works projects and by promoting micro-enterprise development. The level of U.S. support will depend on the availability of resources once critical humanitarian needs are met. USAID is piloting a vulnerable group registration program to help identify and select the most needy beneficiaries.

(c) Support for NGOs as a bridge from emergency to developmental assistance: USAID is supporting a number of U.S.-based private voluntary organizations (PVOs) to assist vulnerable groups in developing an NGO network. Through USAID-funded partnerships with U.S. voluntary agencies, Armenian organizations receive training and technical assistance to improve organizational and management skills. Some U.S. groups are also piloting new, sustainable ways to utilize humanitarian assistance, including self-help activities.

Indicators. The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) the extent to which assistance reaches the most vulnerable, including the elderly, the poor and the unemployed; (2) U.S. effort has mobilized the international donor community to respond to the humanitarian crisis; (3) U.S. effort has brought PVOs to Armenia and is changing local organizations from charities into competent organizers, managers and advocates of assistance to vulnerable groups.

Progress in 1993-1994. International relief organizations have helped sustain nearly two million refugees, displaced persons and other vulnerable groups in the Caucasus republics in FY 1994.

For the 1993-94 winter, USAID financed the purchase and delivery of \$15 million in kerosene heating fuel, heaters, and fuel containers for approximately 200,000 households and several hundred schools. Difficulties with transport through Georgia resulted in only about two thirds of the fuel reaching Armenian households during the heating season, but the program did make an important contribution to the well-being of the most vulnerable groups. The program has been expanded for the 1994-95 winter, utilizing remaining stocks from the 1993-94 program and newly procured stock. Approximately 31,000 metric tons of kerosene and 15,000 heaters valued at \$6.5 million are being provided to 210,000 beneficiary families and 1,100 schools, reaching approximately 35% of the population. Other program activities include the provision of food parcels to vulnerable groups, spring and fall seed wheat, over \$2 million in medicines and medical supplies, and the establishment of an epidemiological and nutritional surveillance program. Emergency wheat (100,000 metric tons) was delivered in time to meet a critical gap in Fall 1994.

**Donor Coordination.** USAID has been a leader in garnering support from the international donor community to assist the Caucasus, including supporting start-up costs for international organizations and private voluntary organizations. United Nations assistance has included the United Nations Development Program (UNDP) technical assistance, United Nations Children's Fund (UNICEF) support for child nutrition, United Nations High Commission for Refugees (UNHCR) support for refugee programs and World Food Program (WFP) assistance with food deliveries and logistical assistance. The International Committee of the Red Cross and the Red Crescent (ICRC) has been a major partner in providing humanitarian assistance, while the International Organization for Migration is helping build the government's capacity to coordinate and oversee assistance. The World Bank has funded an institutional-building and earthquake reconstruction loan.

**Constraints.** The conflict in Nagorno Karabakh and the accompanying economic embargo by Azerbaijan and Turkey continue to result in a humanitarian crisis in Armenia. Transportation difficulties associated with the blockade and the interruption of transport routes through Georgia due to the civil conflict there have caused delays in reaching vulnerable groups in Armenia with emergency humanitarian assistance. As the Nagorno-Karabakh conflict continues, the international donor community cannot supply humanitarian aid at current high levels indefinitely. Donor fatigue is growing after several years of intense effort. Armenia must work with donors, PVOs and the private sector to expand its food and energy production.

#### **ECONOMIC RESTRUCTURING (\$12,500,000).**

**SO 2. Foster the emergence of a competitive, market-oriented economy in which the majority of economic resources are privately owned and managed (\$12,500,000).**

##### **(A) Establishing a market environment.**

With the break up of the former Soviet Union, the conflict in Nagorno-Karabakh and the embargo, the Armenian economy suffered from severe contractions in gross domestic product (GDP) and rapidly growing inflation in 1992 and 1993. The Armenian government has been reluctant to undertake rapid privatization and economic reform, as these measures could exacerbate the social and economic stresses already extant in the country as a result of the blockade. While structural reform is proceeding slowly, there have been notable successes in controlling monetary growth, reducing inflation, reducing credit leakages through unproductive state enterprises, and privatizing agricultural land and urban housing. There is broad consensus on the need for market-oriented measures such as price reform, privatization, and development of a legal framework to support private sector growth, but there is less agreement on specific steps and timetables. In addition, there is a serious lack of knowledge of policy instruments and practical skills for implementing needed economic reforms.

**Activities.** U.S. technical assistance efforts are focused in two critical areas of need: increasing the knowledge of key policy makers (e.g. in the Ministries of Economy and Finance, the Central Bank, the

State Tax Inspectorate) to develop a legislative and policy framework to support a market environment; and of new entrepreneurs, by providing them the business management tools and small amounts of start-up capital with which to conduct profitable businesses. USAID is financing macroeconomic advisors to the Ministry of Economy and sponsoring economic specialists at the newly established Center for Economic Policy, Research, and Analysis. The Center provides a forum for independent, market-oriented discussion and policy analysis intended to inform the policy making process. In the financial sector, USAID technical assistance will focus on support to the Central Bank. Training is being provided to bankers and Ministry of Finance personnel, and U.S. advisors are assisting the Armenian government to reform tax and budgetary systems. USAID is sponsoring technical assistance for individual entrepreneurs and groups of entrepreneurs, including those involved in agriculture and agribusiness. A Private Enterprise Development Institute has been established to promote entrepreneurship and help emerging business organizations. The Eurasia Foundation is implementing a small business credit facility through a commercial bank. USAID also provides technical assistance, commodities and technology to help revitalize physical infrastructure (particularly in the energy sector) essential to sustained economic activity.

USAID has been engaged in a number of initiatives to develop a market-oriented housing sector that can respond to housing needs in a restructured Armenian economy. These include: development of the capacity to organize and operate condominium associations to advance housing privatization and improved maintenance; the establishment of competitive bidding procedures for earthquake reconstruction and other government construction activity; the development of housing privatization and land tax legislation; and the organization of a real estate association to serve the needs of brokers and other professionals in the housing sector.

Indicators. The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) an annual 30% increase in private sector housing services contracted by condominium associations over the next 3 years; (2) a 5% annual increase in the number of private sector firms entering into local markets dominated by state-owned enterprise beginning in 1995; and (3) a 5% annual increase in the volume of private commercial lending by the end of 1995.

Progress in 1993-1994. Economic reform is proceeding at a slow but increasing pace. Virtually all agricultural land and some urban housing has been privatized. Fifteen percent of small state enterprises have been privatized, and vouchers for large enterprise privatization are being issued. All producer prices and most consumer prices have been liberalized, and fiscal discipline is being reestablished. USAID-sponsored advisors in economic policy, banking and housing have influenced the direction and pace of economic reform. USAID private sector initiatives have accelerated new small business development and enhanced business skills for managers and entrepreneurs.

In the housing sector, condominium associations were formed at three pilot sites in Yerevan; the associations contracted with a private firm to provide maintenance services. This marks the first time in Armenia that housing services are being provided by private homeowners organized as a condominium association.

Donor Coordination. Armenia had a 1994 balance-of-payments gap of \$153 million, which was closed with loans from the international financial institutions and other external financing. Armenia's balance-of-payments gap in 1995 is approximately \$277 million, most of which will be filled by bilateral and multilateral donor contributions pledged at the Paris Consultative Group meeting in November 1994. The International Monetary Fund (IMF) has worked with the Armenian government to address the overall macroeconomic policy environment as it affects investment, trade and access to foreign exchange. The World Bank has provided loans to foster a better business environment and greater productive capacity in the industrial sector.

USAID is providing technical assistance to the World Bank, the UN High Commissioner for Refugees and the Armenian YMCA in earthquake reconstruction projects. This assistance includes introducing

housing sector reforms and improved construction management techniques within the country. USAID assistance is vital to the World Bank earthquake reconstruction loan and to the multidonor effort to improve banking and economic policy expertise.

**Constraints.** The continuing blockade by Azerbaijan and closed border with Turkey constrain Armenia's economic development and preclude the development of a viable private business sector. Furthermore, Armenians' limited (though growing) understanding of market economics inhibits progress toward this objective.

#### (B) Energy Management.

An end to the economic embargo by Azerbaijan and Turkey would do much to solve Armenia's immediate energy difficulties. Even beyond the current emergency, however, the energy situation will remain serious. Armenia has limited indigenous hydro and fossil fuel resources and a rapidly deteriorating energy infrastructure. Virtually all fossil fuels and 95% of primary energy must be imported. Energy efficiency improvement is the least costly way of meeting energy needs in the near term. With improved technology and policies, Armenia could provide consumers with adequate energy services in a fully functioning economy with half the country's pre-embargo consumption levels.

**Activities.** USAID has initiated fast-track assistance to improve coal production by winter 1995 and increase oil production through the purchase of oil drilling supplies. Consequently, the Trade and Development Agency is currently funding a program aimed at bringing U.S. investment into the oil and gas sectors in Armenia. USAID-funded teams are helping improve thermal power plant operations, increase the efficiency of district heating systems, and install energy-saving equipment in Yerevan. A U.S. energy team completed engineering work to facilitate a \$60 million European bank for Reconstruction and Development (EBRD) loan to finish construction of the Hrazdan power plant.

Future U.S. assistance will emphasize improving the efficiency of large energy consumers, such as industrial plants and urban housing. Technical assistance, training and commodities will be provided to support industrial energy audits, improved energy efficiency in industrial buildings, and improved monitoring and management of energy use in industrial processes. Policy assistance related to energy tariffs and private sales will be provided. If private investment financing is available, USAID also may support pre-investment technical assistance and feasibility analysis of new power plants and transmission and distribution systems.

**Indicators.** The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) industry plant energy efficiency improved 5%-10% in five major plants by the end of 1995, and 10-25% in ten plants by the end of 1996.

**Progress in 1993-1994.** USAID funding has resulted in the provision of critical parts and supplies for power plants and successful demonstrations of energy efficiency technologies in a number of targeted industries, schools, hospitals, and district heating systems. Furthermore, energy reform advisors initiated work on privatization and the development of more commercially-oriented enterprises. Coal production for local heating has been expanded, and several small hydro systems will soon be established.

**Donor Coordination.** USAID has been instrumental in assisting Armenia to obtain loans from the World Bank and the EBRD for energy sector rehabilitation and improvement. The EBRD has approved a \$60 million loan to complete Unit #5 at the Hrazdan Thermal Power Plant and to construct a grid connection between the plant and Yerevan. The loan agreement gives the Bank the right to suspend, cancel, or accelerate loan repayment if Armenia reopens the Medzamor nuclear plant at a safety level unsatisfactory to the Bank.

**Constraints.** Armenians have grown accustomed to a highly subsidized power supply. Currently, fuel

supplies are affected by the blockade by Turkey and Azerbaijan.

**BUILDING DEMOCRACY (\$1,500,000).**

**SO 3. Support the transition to transparent and accountable governance and the empowerment of citizens through democratic political processes (\$1,500,000).**

Armenia has had a stable government since it was first elected in 1990, despite the neighboring conflict between Azerbaijan and the ethnic Armenians of Nagorno-Karabakh. However, Armenia faces the same challenges as the other former Soviet states in its transformation from a highly centralized authoritarian regime to a system of governance that encompasses principles of the rule of law, multi-party debate, transparent decision-making, public participation, accountability to those governed, sharing power with sub-national levels of government, and responsible management of public resources. These democratic values can be especially difficult to practice in the face of severe economic hardship that carries risk of political instability.

Activities. USAID assistance includes a nongovernmental organization (NGO) training center to strengthen the management capacity of NGOs. Training, exchange and long-term academic programs for journalists will encourage development of free and independent news media. Limited assistance will be directed at strengthening judicial institutions and criminal justice procedures. A small grants program will help strengthen the rule of law in Armenia by supporting legislative drafting in commercial and criminal law and assisting human rights groups.

Indicators. The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) improved judiciary training results in higher competency of judicial staff by December 1996; and (2) eight NGOs involved in influencing the formation of public policy related to humanitarian assistance are organized and operating by the end of 1997.

Progress in 1993 - 1994. U.S.-sponsored training programs, grants and fellowships have provided Armenians with new knowledge and skills in such areas as municipal management; lawmaking; intergovernmental relations, budget and taxation; public affairs and foreign policy and diplomacy. Armenian parliamentarians have participated in study tours on the U.S. legislative process, at the federal and state levels.

Donor Coordination. USAID assistance in this area is coordinated with European Union support for participatory democracy and civil society.

Constraints. Armenia lacks a code of law and a tradition of democratic governance. Political debate is characterized by highly personal attacks and innuendo. These characteristics constrain efforts at building a full and stable democracy.

**Other Donor Resource Flows.**

According to statistics from the Development Assistance Committee of the Organization for Economic Cooperation and Development, the United States provided about 41% of all official development assistance to Armenia in 1993. Other major donors are the Economic Development Fund of the European Union, the United Nations High Commission for Refugees, Italy, and France.

ARMENIA  
FY 1996 PROGRAM SUMMARY

<b>USAID Strategic Objectives</b>	
<b>Economic Restructuring</b>	<b>\$12,500,000</b>
<b>Building Democracy</b>	<b>\$ 1,500,000</b>
<b>Social Sector Restructuring</b>	<b>\$16,000,000</b>
<b>Total</b>	<b>\$30,000,000</b>

USAID Regional Mission Director: Fred Winch

## AZERBAIJAN

FY 1996 Assistance to the NIS Request . . . . . \$ 9,000,000

After the disintegration of the former Soviet Union, Azerbaijan, although rich in oil and natural gas reserves, found itself with an ever deteriorating economic base, including a diminishing gross domestic product (GDP), loss of foreign currency, and severe budgetary constraints. This economic situation has been further exacerbated by military and refugee costs resulting from Azerbaijan's territorial conflict with neighboring Armenia over the Nagorno-Karabakh region.

The overall goal of the U.S. assistance program is to help Azerbaijan achieve an enduring, normal and productive relationship with the United States, its neighbors and the rest of the world, as well as to encourage the long-term goal of political stability and economic prosperity. To this end, the United States supports Azerbaijan's emergence as an independent, democratic and prosperous state.

#### The Development Challenge.

Each of the three Caucasus republics is experiencing ethnically-driven conflicts. As a result, refugees and displacement of populations, severe distortion of trade and economic activity and massive drain of public revenue and curtailment of investment trouble each of the Caucasus countries. Energy is a paramount concern for the region, and issues of pollution, embargoes, pipeline safety and inefficiency make energy a common denominator in regional development.

Despite the presence of huge oil reserves, Azerbaijan has struggled in its efforts to establish itself as a viable independent country following the collapse of the former Soviet Union. During the Soviet period, Azerbaijan relied heavily on the oil industry to fuel economic growth, but insufficient investments and capital construction have left Azerbaijan with a highly inefficient and deteriorating economic base. Azerbaijan continues to struggle to break free of Russia's strong economic grip, at some cost in short-term stability and economic growth. Nonetheless, the promise of substantial petrodollar profits and consequent investment opportunities remain on the horizon.

Azerbaijan, with its oil and natural gas reserves, has the richest resource base of any of the Caucasus countries. However, despite its rich potential, the Azerbaijan economy has declined almost as much as those of its Caucasus neighbors. GDP fell 35% in 1992 and 13% in 1993. Oil production has been declining for years; 1993 production, at 75 million barrels, was the lowest annual output since the end of World War II.

The non-elected, unstable central government and the Nagorno-Karabakh conflict remain the biggest obstacles to development. Until the conflict is settled, Azerbaijan will not be able to fully develop from a socialist country with a planned economy to a democratic and free-market based society.

Section 907 of the FREEDOM Support Act prohibits assistance to the Government of Azerbaijan until it takes steps to cease the blockade and use of force against Armenia and Nagorno-Karabakh. Therefore, U.S. assistance has focused on utilizing nongovernmental organizations (NGOs) and international organizations to provide relief to those suffering as a result of the conflict, primarily refugees and displaced persons. Working through the international and local NGO community, U.S. Government assistance to Azerbaijan to date has totaled \$39 million in humanitarian assistance and \$3 million in U.S.-sponsored training programs for private citizens. To the extent that Section 907 allows, the United States will continue to provide training and assistance opportunities to private Azeri citizens and organizations in order to build a better understanding of legal, business, economic and educational concepts and democratic principles among the future leaders and participants in Azerbaijan's economy.

#### Strategic Objectives (SOs).

USAID is pursuing the following strategic objectives in Azerbaijan.

**ECONOMIC RESTRUCTURING (\$250,000).**

**SO 1. To develop a competitive, market-oriented economy in which the majority of economic resources are privately owned and managed (\$250,000).**

While some progress has been made, Azerbaijan's government has chosen to go slow on economic reforms. Azerbaijan's resource base makes it attractive to U.S. investors. Kaiser Aluminum recently concluded an agreement to help modernize the country's aluminum plant, and additional ventures in the oil industry are possible as a result of the recent completion of a multi-billion dollar agreement between Azerbaijan and an international oil consortium, which includes four U.S. oil companies. Some businesses and agricultural lands have been privatized and the government is now actively seeking assistance to speed economic reform.

Activities. Because of Section 907 restrictions, USAID's training and exchange program will be limited to two groups in the private sector: (a) private farmers and agribusiness entrepreneurs, and (b) small-scale entrepreneurs, business people and bankers. In addition, training opportunities will be offered to faculty and administrators of private universities in curriculum development for economics, business administration, health care and English. A Farmer-to Farmer program, implemented by Volunteers in Overseas Cooperative Assistance (VOCA), has been initiated emphasizing high-value crops and processing.

Indicators. The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) select private citizens (bankers, farmers and business entrepreneurs) are better equipped to manage the transition to a market economy through technical skills training; (2) an increased number of private enterprises and businesses are licensed.

Progress in 1993-1994. USAID's exchanges and training program was developed in Azerbaijan in 1994 and approved at the end of the year, thereby permitting an intensification of training programs throughout the following year. Participants in USAID-supported training programs learned agricultural marketing. A farmer-to-farmer assistance program was also initiated. USAID-supported private voluntary organizations (PVOs) and nongovernmental organizations (NGOs) emphasized procurement and assistance to local suppliers and industries to produce relief supplies.

Donor Coordination. Dialogues are being undertaken with European Union (EU) and World Bank consultants in private sector development. The World Bank is developing a loan to assist privatization, economic policy making and economic reform.

Constraints. Conflict over Nagorno-Karabakh, Russian influence, slow implementation of reforms and an unstable national government will continue to constrain program success. In addition, the ability to find qualified nongovernmental participants, who can obtain passports, exit documents and visas to travel to the United States remains difficult.

**BUILDING DEMOCRACY (\$250,000).**

**SO 2. Support the transition to transparent and accountable governance and the empowerment of citizens through democratic political processes that ensure broad-based participation in political and economic life (\$250,000).**

Given the limitations of Section 907, USAID's activities in the democracy-building area are limited to the provision of training opportunities for private citizens and NGO leaders.

Activities. Through the exchanges and training program, USAID provides short-term training

opportunities to NGO leaders and private citizens involved in democracy building.

Indicators. The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) increased number of viable and capable NGOs involved with public interest issues; and (2) increased number of private media outlets operating free of government control.

Progress in 1993-1994. Several training programs were initiated in 1994, one for a group of Azeri environmentalists and another for NGO managers of NGO program and refugee camps. In addition, a joint USAID-U.S. Information Agency training program was developed for mass media journalists in the United States.

Constraints. A poorly organized and non-democratic government, Russian interference, and an uncertain economic climate constrain program success. The ability to find qualified participants who can obtain passports, exit documents and visas to travel to the United States is difficult and limits the success of this objective.

#### **HUMANITARIAN ASSISTANCE AND SOCIAL SECTOR RESTRUCTURING (\$8,500,000).**

SO 3. To strengthen the capacity to manage the human dimension of the transition to democracy and a market economy, and to help sustain the neediest sectors of the population during the transition period (\$8,500,000).

The United Nations estimates that almost 900,000 people in Azerbaijan are in need of humanitarian assistance. This population includes the neediest refugees and displaced persons, disabled and handicapped people in welfare institutions, pensioners living alone, and those whose income is below the minimum state level. USAID assistance will continue to work through international organizations and U.S. PVOs to provide food, medicine and emergency shelter to refugees and displaced persons. The United States will continue to encourage other donors, particularly the European Union, to provide humanitarian assistance to meet the basic needs of the Azeri people.

Activities. USAID-funded activities address the following needs:

A) Emergency aid to refugees and displaced persons: Through grants to U.S. PVOs and international organizations, USAID provides food, medicine, and emergency shelter to refugees and displaced persons. In addition, USAID will continue to support programs that give beneficiaries skills they can use when they are able to return to their homes, such as the International Rescue Committee's proposed project to teach displaced persons how to build low-cost housing from local materials.

B) Emergency medicines: USAID will continue to provide emergency medicines and medical supplies to address the severe lack of medical care for refugees and displaced persons.

C) Food aid for vulnerable populations: USAID will continue to provide food aid to vulnerable populations in Azerbaijan through U.S. PVOs.

D) Nakhichevan: Through U.S. PVO networks, assistance in food, clothing, and shelter will continue to be provided to Nakhichevan, the Azerbaijani territory separated from the rest of Azerbaijan by Armenia.

Indicators. Program success is measured by the fact that assistance is appropriately targeted and reaches beneficiaries in a timely manner.

Progress in 1993-1994. Under a regional umbrella grant, Save the Children has coordinated 14 projects with six private voluntary organizations (PVOs) since December 1993. Through this grant, \$1 million was provided for pharmaceutical procurement and \$13.6 million has been provided for

shelter, food, clothing and medical care for about 350,000 people, reaching roughly half the total number of internally displaced people. In addition, through training, management workshops and technical assistance, the program has enhanced the ability of U.S. PVOs to provide humanitarian assistance in Azerbaijan. Also in FY 1994, the United States provided \$1.7 million to the United Nations High Commission on Refugees (UNHCR), \$4.3 million in cash and commodities to the World Food Program and \$1.2 million to the International Committee of the Red Cross (ICRC) for their international appeal for the Caucasus. Under the USAID vulnerable group feeding program, Azerbaijan received 1,050 metric tons of food commodities which reached about 292,000 recipients.

Donor Coordination. The United States will continue to encourage other donors, particularly the European Union, to provide humanitarian assistance to meet the basic needs of the Azeri people. This effort has resulted in close working relationships among all involved with the refugee crisis: ICRC, UNHCR, the European Community Humanitarian Office (ECHO) and PVOs. The World Bank approved a \$45 million loan in June 1994 to begin upgrading Baku's water supply.

Constraints. It is difficult to undertake long-range planning to deal with the refugee and displaced person situation because the tenuous cease-fire in Nagorno-Karavhbakh could be violated at any time and result in renewed fighting. This would again increase the numbers of refugees and displaced persons. In addition, the government is poorly organized, and there is no coordination of assistance at the government level.

#### Other Donor Resource Flows.

There are no statistics available on donor resource flows to Azerbaijan from the Group of 24 or the Development Assistance Committee of the Organization for Economic Cooperation and Development.

#### AZERBAIJAN FY 1996 PROGRAM SUMMARY

USAID Strategic Objectives	
Market Economy Transition	\$ 250,000
Building Democracy	\$ 250,000
Humanitarian/Social Sector Restructuring	\$ 8,500,000
Total	\$ 9,000,000

USAID Regional Representative: Fred Winch

## BELARUS

**FY 1996 Assistance to the NIS Request: . . . . . \$ 19,000,000**

As an emerging market democracy, Belarus has the potential to become a force for stability and prosperity in the Western region of the New Independent States (NIS) of the former Soviet Union. The country has been independent since August 1991. A new administration came to power in mid-1994 that carries greater opportunities for progress and reform. Belarus, one of four "nuclear republics" in the NIS, was the first to commit itself to joining the Nuclear Non-Proliferation Treaty and to complete denuclearization. Encouraging responsible nuclear policies and greater commitment to democratic and market reform are the primary U.S. interests in Belarus.

**The Development Challenge.**

Belarus faces the challenge of re-orienting its economy away from reliance on military production and increasing the productivity and profitability of its agricultural and agribusiness sector, which is still plagued by inefficiencies inherent in state and collective ownership. Like its neighbors, Belarus has had to adjust to the collapse of its internal Soviet market and develop new trading partners. This process has proven difficult for an economy which, in the past, exported some 40% of its industrial output to, and imported 90% of its energy and 70% of its raw materials from, other parts of the former Soviet Union. Belarus suffered most from the effects of Chernobyl and has actively sought U.S. assistance in cleaning up areas devastated by radiation.

The Belarus Parliament (the Supreme Soviet) is still dominated largely by ex-communists who lack commitment to political and economic reform. Prospects for reform improved in 1994 with the adoption of a new constitution, election of a new president in a free and fair election, and the successful negotiation of an International Monetary Fund (IMF) stabilization program. The outcome of parliamentary elections, scheduled for May 1995, will be critical to ensuring progress toward reform.

**Strategic Objectives (SOs).**

USAID is pursuing the following three strategic objectives in Belarus.

**ECONOMIC RESTRUCTURING (\$13,000,000).**

**SO 1. Foster the emergence of a competitive, market-oriented economy in which the majority of economic resources are privately owned and managed (\$13,000,000).**

Until recently, Belarus had not shown a firm commitment to market reform. Therefore assistance efforts to date have been modest, attempting to demonstrate the potential of private sector development. Exchanges and training have been emphasized to expose Belarus citizens to Western ideas, values and institutions, to encourage reformist policies, and to build market-oriented capacity within the Government of Belarus (GOB) and the emerging Belarus private sector.

Through its recent negotiations with the International Monetary Fund, the GOB has shown serious commitment to macroeconomic stabilization and economic reform. This commitment is evidenced by GOB measures to reduce the budget deficit as a percentage of gross domestic product (GDP) and liberalize prices, including sharply increasing prices for communal services such as housing and utilities. In January 1995 the Executive Board of the IMF approved Belarus' second purchase of \$104 million under the systemic transformation facility (STF). Negotiations with the IMF over a Standby Agreement are underway. The World Bank plans to hold a consultative group meeting of donors on assistance to Belarus in the near future. USAID is prepared to offer increased assistance to Belarus if the GOB continues to demonstrate commitment to private sector development.

Activities. Through the International Finance Corporation (IFC), USAID is supporting small-scale privatization auctions in three Belarusian cities. The West NIS Enterprise Fund is operating in Belarus and plans to open an office there in 1995. Currently, the Fund is reviewing proposals at its New York headquarters for possible equity investments in private Belarusian firms. The Farmer-to-Farmer program assists in the privatization of selected collective farms and promotes private farming and efficient farm management.

To support new commitment to reform, USAID will provide funds for structural reform support to enable the United States to support, on short notice, the efforts of countries embarking on programs of comprehensive economic restructuring. The USAID-funded assistance will likely take the form of commodities, commodity transport, and trade or investment credits that can be counted toward filling balance-of-payments gaps as these new reformers come to terms with the IMF or World Bank on structural adjustment loans. United States contributions to this process are critical in influencing other bilateral donors to participate and can greatly influence the commitment of NIS republics to embark on comprehensive economic reform. Belarus is among the countries most likely to qualify for these funds.

Indicators. The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) privatization of 50% of small-scale businesses in those cities receiving USAID assistance by the end of 1995; (2) increased number of private farms registered with the Ministry of Agriculture; and (3) reduction of state-regulated pricing.

Progress in 1993-1994. As a result of USAID assistance through the IFC, over 40% of Brest and 30% of Grodno city properties were privatized in 1994. Project Rapeseed is studying how to restore agricultural production to an economic dead zone in Chernobyl-polluted lands, which are in the process of being privatized. The oilseeds will be processed into biolubricants. Seven percent of arable land has been privatized, encompassing 3,200 private farms. The GOB has reached agreement in principle with the international financial institutions on further reforms in price liberalization, budget restraints, and privatization.

Donor Coordination. USAID efforts in the market reform area are small in comparison to World Bank and IMF programs and some bilateral donors. Close coordination, therefore, has been critical. The World Bank has initiated a loan program for private small and medium enterprises.

Constraints. If progress is not made on negotiating payment of Belarus' external arrears, in particular to Russia, firm commitments of needed donor assistance will be minimal.

#### **BUILDING DEMOCRACY (\$6,000,000).**

SO 2. Support the transition to transparent and accountable governance and the empowerment of citizens through democratic political processes (\$6,000,000).

It is widely observed that democracies do not generally make war on their neighbors, and make for stable allies and export markets. Supporting democracy in Belarus is part of a region-wide strategy to reinforce stability and prosperity in the NIS.

Activities. The USAID-supported rule-of-law program consists of judicial training, continuing legal education, and assistance in legal drafting related to commercial and criminal law. USAID election support and monitoring assistance is planned for parliamentary elections in May 1995. Other USAID democracy efforts include training of journalists and development of independent media, and support of indigenous nongovernmental organizations (NGOs).

Indicators: The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) NGOs participating in USAID-financed programs increase membership or

activity by 50%; (2) at least three NGOs provide critical social services without USAID funding by 1996; and (3) a continuing legal education program is developed and attended by members of the legal profession on a regular basis by December 1997.

Progress in 1993-1994. The Belarus Parliament adopted a new constitution in March 1994, with assistance from USAID-supported legal advisors. Although the viewpoints of the political opposition are frequently reported in the print and electronic media, the government maintains a measure of control over the media through its financial support, and has employed slander laws and open censorship in the past to minimize criticism of its policies. On the other hand, NGOs are proliferating, with some 300 registered as of the end of 1994.

Constraints. Continued commitment to democratic reform by senior GOB officials is critical if USAID democracy activities are to be effective.

Donor Coordination. The U.S. Government is taking a leading role in this sector and is cooperating with the Soros Foundation and the Organization for Security and Cooperation In Europe (OSCE). Discussions have been held with the European Union to encourage its participation in democracy-building programs.

#### HUMANITARIAN ASSISTANCE AND SOCIAL SECTOR RESTRUCTURING (\$ 0).

SO 3. Strengthen the capacity to manage the human dimension of the transition to democracy and a market economy, and help sustain the neediest sectors of the population during the transition period. (\$ 0)

For overall reform to succeed, the GOB needs support from a broad spectrum of its population, including those most negatively affected by the dismantling of the state apparatus. In response, USAID has provided assistance to Belarus in the health and environmental areas. However, in an effort to provide greater focus and concentration to the overall assistance program in Europe and the NIS, FY 1996 funding for health and environment activities in Belarus is not currently planned.

Activities. USAID has supported a hospital partnership program focused on pediatrics, poison control and hospital administration and management. A USAID-supported environmental program is helping reduce industrial pollution and improve the quality of drinking water through pollution reduction in the Pripyat basin.

Indicators. The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) new treatment protocols adapted in pediatric oncology, toxicology and infection control (and 100 people trained in their application); and (2) upgrading of the existing water quality and supply system.

Progress in 1993-1994. USAID provided critically needed vaccines for children and other emergency pharmaceuticals. Belarus upgraded various pediatric hospitals with equipment provided through U.S. assistance. Belarus has taken positive steps by establishing ministries of energy, forestry, water resources, and land reclamation, and by establishing state committees on the consequences of the Chernobyl accident and supervision of safety procedures in industry and nuclear power.

Donor Coordination. USAID and the World Bank are cooperating on assistance for the environmental action plan adopted by the GOB. USAID has played a prominent role in establishing the Interagency Immunization Coordinating Committee (IICC) which is a framework for coordination of donor support in immunization delivery and disease control in the NIS.

Constraints. Given the small size of the Belarus market, it is hard to attract investment to the pharmaceutical industry. Greatly restricted government revenues restrict the flexibility of the GOB to

restructure the social safety net.

**Other Donor Resource Flows.**

Statistics on donor resource flows in Belarus are not available from the Group of 24 or the Development Assistance Committee of the Organization of Economic Cooperation and Development.

**BELARUS  
FY 1996 PROGRAM SUMMARY**

USAID Strategic Objectives	
Economic Restructuring	\$ 13,000,000
Building Democracy	\$ 6,000,000
Social Sector Restructuring	\$ 0
Total	\$ 19,000,000

USAID Regional Mission Director: Gregory Huger

## BOSNIA-HERZEGOVINA

FY 1996 Assistance to Central and Eastern Europe Request: . . . . . \$80,640,000

The bulk of U.S. assistance to the former Yugoslavia has gone either to Bosnia-Herzegovina or to support refugees from that country. While U.S. assistance had been restricted to humanitarian assistance since the outbreak of the war in 1991, rehabilitation assistance began in FY 1994. This mixture of humanitarian and rehabilitation assistance contributes to the U.S. foreign policy objectives of strengthening the Bosnian Muslim-Croat Federation and of promoting stability in the Balkans.

**The Foreign Policy/Assistance Challenge.**

The provision of emergency humanitarian assistance has been and continues to be critical to saving lives in war-torn Bosnia-Herzegovina and to alleviating the suffering of the approximately 2.7 million refugees and displaced persons in that country. In addition to humanitarian assistance, the signing of the Bosnian Muslim-Croat Federation accords in March 1994 has provided the opportunity to begin the process of restoring essential public services in Sarajevo and to initiate rehabilitation activities that promote ethnic reconciliation and support the Bosnian Muslim-Croat Federation. Should peace occur, USAID plans a transition into reconstruction assistance in FY 1996.

**Strategic Objectives (SOs).**

USAID is pursuing the following three strategic objectives in Bosnia-Herzegovina.

**REHABILITATION/RECONSTRUCTION ASSISTANCE (\$78,800,000).**

**SO 1. Support ethnic reconciliation and the nascent Bosnian Muslim-Croat Federation; mitigate the near-term negative impact of the war in Bosnia-Herzegovina; and strengthen the capacity to manage the human dimension of the transition to democracy and a market economy, and help sustain the neediest sectors of the population during the transition period (\$78,800,000).**

The United States supports the Bosnian Muslim-Croat Federation and ethnic reconciliation to bolster the relative peace that currently allows essential rehabilitation and reconstruction activities to advance. Without this rehabilitation and reconstruction assistance, the country's current and future prospects for some type of stability are greatly diminished.

Activities. USAID has designed a three-tiered approach to assistance to the Federation and rehabilitation and reconstruction assistance. Each tier builds on the one before it.

First, in FY 1994, USAID focused on the capital city of Sarajevo and provided \$9.5 million in assistance as follows: \$5.5 million to the International Rescue Committee (IRC) to manage a heating and gas project that will contribute to the restoration of essential public services; \$3 million to Project HOPE to procure, deliver and distribute medicines and medical supplies to hospitals; and \$1 million to the United Nations (UN)-administered Trust Fund for Sarajevo.

Second, in FY 1995 USAID focused on Central Bosnia-Herzegovina, providing \$20.5 million to nongovernment organizations (NGOs) and contractors to manage activities in the following areas: municipal infrastructure, micro-enterprise lending and public administration technical assistance and training. Ultimately, the success of the Federation will depend on the political will of local communities of Croats and Bosnian Muslims to devise the institutional means to begin their own recovery. Therefore, while the program funds specific rehabilitation activities, the primary focus is to facilitate a process of community consultation that a) brings multi-ethnic groups together, b) improves the community's quality of life, while c) reinforcing the credibility and authority of the Federation.

Concomitantly, the program will contribute to the ability of the Federation to address the needs of all ethnic groups. A key element in the process of identifying and implementing activities will be the extensive involvement of Federation officials. Sample activities could include repair and reconstruction and institutional support for small-scale community facilities, schools, housing or communications systems.

Third, building on the restoration activities in Sarajevo and Central Bosnia-Herzegovina and on the multi-ethnic socio-political foundations stimulated by U.S. assistance, and assuming a peace settlement in Bosnia-Herzegovina, \$78,800,000 is being requested. This includes \$60,000,000 for larger-scale activities that support Federation-wide post-war reconstruction efforts planned to begin in 1996. In this expanded program, the United States will continue to encourage the community consultation process described above and support Federation involvement in achieving consensus on rehabilitation and reconstruction priorities and activities. Activities that would be considered for funding include electrical power distribution systems, road and bridge repair to open access to areas cut off from commercial traffic, municipal water systems and sanitation.

Six U.S. NGOs already have been awarded grants to train mental health providers, teachers, volunteers and doctors working with traumatized populations in Bosnia-Herzegovina in partnership with local NGOs. International Action Against Hunger is working in two Bosnia-Herzegovina communities to begin the process of economic development and social reintegration across ethnic lines. Catholic Relief Services is assisting the equivalent of the American Psychological Association to work across ethnic and national boundaries to help trauma survivors. Security permitting, the Center for Attitudinal Healing will expand its Croatian peer group counseling programs to help trauma survivors deal with loss and grief, to Bosnia-Herzegovina. Delphi International is working with women's groups in Bosnia on conflict resolution, women's reproductive health, microenterprises and on establishing communication links with women's organizations across ethnic and national lines. The Harvard Program in Refugee Trauma under the Harvard School of Public Health will establish a mental health referral system, training program, and accreditation process for trauma providers. Harvard is also providing training opportunities for U.S., Bosnian and Croatian professionals to collaborate on developing innovative strategies to heal torture survivors and to promote inter-ethnic reconciliation. Finally, Save the Children Federation is creating over 700 preschool and study centers in Bosnia-Herzegovina (and Croatia) to allow refugee and displaced children to continue their studies.

Indicators. The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) By 1997, the majority of municipalities in Central Bosnia-Herzegovina have established mechanisms for making local decisions that incorporate the views and interests of all ethnic groups in the community; (2) By 1997, the majority of municipalities in Central Bosnia-Herzegovina have executed rehabilitation activities benefiting both ethnic groups; (3) Trained counselors and a referral network are available to aid trauma victims throughout Central Bosnia-Herzegovina by 1996; (4) 600 loans are provided to small and micro-enterprises in Central Bosnia-Herzegovina by 1997; and (5) 150,000 residents in Sarajevo presently without heat, receive central heating by the end of 1996.

Progress in 1993-1994. In September 1994, the International Rescue Committee (IRC) received a grant under the Bosnian Emergency Rehabilitation project to repair the natural gas distribution and central heating systems in Sarajevo. In addition, IRC has provided a sub-grant to a group of child welfare specialists working through the Soros Foundation in collaboration with the UN, the International Committee of the Red Cross (ICRC) and others providing emergency interim care, tracing and reunification for unaccompanied children from the former Yugoslavia. Other activities such as Project HOPE and NGO trauma grants were awarded in September and just began in early 1995, therefore it is too early to report progress.

USAID's Office of Foreign Disaster Assistance (OFDA) has provided over \$30 million in relief items to victims of war in the former Yugoslavia, over 70% of which go to beneficiaries in Bosnia-Herzegovina. (According to the September 1994 UN Appeal, 2.3 million people throughout the former Yugoslavia

are in need of relief assistance. Of this 787,800 are displaced persons and refugees.)

In FY 1994, NGOs funded by OFDA for relief programs in Croatia and Bosnia-Herzegovina include: Agence International Contre la Faim (AICF) for heating repairs and food for Sarajevo; Equilibre to operate a fleet of 14 vehicles for three months; International Medical Corps for an emergency feeding program; and IRC for fuel and transportation and for a seed program for Central Bosnia.

In addition, in FY 1994, USAID's Office of Food for Peace provided \$71,701,800 in PL-480 Title II commodities for Bosnia-Herzegovina and grants to the World Food Program (WFP) for food distribution to war-affected populations.

Donor Coordination. In carrying out humanitarian assistance, USAID coordinates with the UN High Commissioner for Refugees (UNHCR), World Health Organization, WFP, the European Union and NGOs. The estimated cost of reconstructing war damage in the former Yugoslavia exceeds \$2 billion. USAID will coordinate with UN agencies, international financial institutions, the European Union and other major donors in the development of reconstruction programs for Bosnia-Herzegovina.

Constraints. The ongoing war in Bosnia-Herzegovina makes it very difficult to plan for the transition from humanitarian to rehabilitation assistance. The situation changes daily. The Bosnian Emergency Rehabilitation project has been designed in a manner that will allow for maximum flexibility to enable the United States to respond to changing conditions. Until there is peace, USAID will continue a mix of humanitarian and rehabilitation activities. The \$60,000,000 for Bosnia reconstruction will not be expended absent a reasonable assurance that major hostilities have ceased.

#### TRANSITION TO DEMOCRACY (\$490,000).

SO 2. Support the transition to transparent and accountable governance and the empowerment of citizens through democratic political processes (\$490,000).

The country's transition to democracy has clearly been inhibited by the war. The rehabilitation activities described above are intended to encourage pluralism and democratic practices at the local level. Additional small, targeted democracy building activities also will be developed.

Activities. In 1995, the U.S. Information Agency (USIA) will initiate a range of small activities to bolster nascent democratic institutions in areas such as local government, parliament and the media. Key leaders and potential leaders in each area will be provided training and the opportunity to observe how American government and social institutions work to protect the rights of all groups in a successful multi-racial, multi-ethnic society. In addition, small grants will be provided to indigenous entities, particularly independent free media outlets.

Indicators. The following is a provisional indicator measuring progress toward this strategic objective: (1) Trainees demonstrate that they are utilizing USAID-funded training to promote democracy through their positions in government and the private sector.

Progress in 1993-1994. These projects are just beginning, therefore it is too early to report progress.

Donor Coordination. USAID is coordinating democracy efforts with UN agencies, the European Union and the NGO community.

Constraints. The ongoing war in Bosnia-Herzegovina makes it difficult to provide democracy-related assistance at this time.

#### ECONOMIC RESTRUCTURING (\$1,350,000).

SO 3. Foster the emergence of a competitive, market-oriented economy in which the majority of economic resources are privately owned and managed (\$1,350,000).

To help revive the war-devastated economy, it is critical that socially-owned businesses and industries are privatized in the most expedient and sound manner possible.

Activities. USAID will provide training to Bosnian Federation officials in the area of privatization. USAID also will fund technical assistance to help the Bosnian Government develop a timeline and priority ranking for privatization of major industries, i.e., railways, iron and steel, chemical and energy infrastructure.

Indicators. The following is a provisional indicator measuring progress toward this strategic objective: (1) By late 1996, privatization technical assistance will have enabled the Bosnian Federation to develop a timeline and priority ranking for the privatization of major industries.

Progress in 1993-1994. As these activities are not yet begun, it is too early to report on progress.

Donor Coordination. When conditions permit regular economic restructuring activities, USAID expects to have full coordination with the donor community, and our involvement on the public administration side is expected to position us well to provide further assistance.

Constraints. The ongoing war in Bosnia-Herzegovina is an obvious constraint to the country's economic welfare. High unemployment, a shortage of financial resources and inflation are some economic constraints that will need to be addressed.

#### Other Donor Resource Flows.

As the lead UN agency providing humanitarian assistance to the former Yugoslavia, UNHCR is responsible for land convoy coordination, supplying airlifts into Sarajevo and airdrops of relief supplies to designated Muslim enclaves. The UN's WFP is the primary food donor throughout the region. The UN Protection Force is responsible for escorting UNHCR convoys and peacekeeping operations in Bosnia-Herzegovina, Macedonia and the UN Protected Areas in Croatia. According to UNHCR's latest appeal, contributions to its program in the former Yugoslavia totalled \$90,717,776 through August 30, 1994, approximately 72% of which went to Bosnia-Herzegovina beneficiaries. Total USG contributions from all sources through FY 1994 totalled \$770,073,101, with roughly the same percentage benefitting Bosnia-Herzegovina.

#### BOSNIA-HERZEGOVINA FY 1996 PROGRAM SUMMARY

USAID Strategic Objectives	
Rehabilitation Assistance	\$78,800,000
Building Democracy	\$ 490,000
Economic Restructuring	\$ 1,350,000
Total	\$80,640,000

USAID Representative: Charles Aanenson

## BULGARIA

FY 1996 Assistance to Central and Eastern Europe Request: ..... \$42,030,000

Bulgaria's initial steps in the transition to democracy and a free market economy were impressive. For the first time in over 50 years, a government was elected through true democratic means. In 1991 the government adopted a democratic constitution guaranteeing rights to individuals. Economic reforms included legalizing most international trade, liberalizing exchange and interest rates and eliminating most domestic price controls. The pace of reforms started to stagnate in December 1992, when the Union of Democratic Forces government collapsed after a vote of no confidence. During the fall of 1994, the government resigned and Parliament failed to agree upon a replacement, making necessary new parliamentary elections, which were held on December 18, 1994. The elections resulted in a new socialist administration which controls 125 out of 240 seats in Parliament.

#### The Development Challenge.

USAID has been providing assistance to help Bulgaria in its transition to democracy and a free market economy. Experience from the early years indicated that a decentralized approach emphasizing local initiatives generally yields the best results. The central government has not fully carried out the necessary reforms to stimulate private sector growth. However, significant support for privatization and other liberalization measures exists in many local governments and local organizations. USAID assistance emphasis has shifted to strengthening local government and decentralization efforts by building public participation at the local levels through civic, trade union and nongovernmental organizations; promoting small and medium-scale business development; municipal privatization; and an integrated program of training, financial and technical assistance to private enterprises. USAID is also assisting in the improvement of the legal and regulatory environment to encourage private sector growth, as well as the implementation of comprehensive environmental and energy policies.

#### Strategic Objectives (SOs).

USAID is pursuing the following three strategic objectives in Bulgaria.

#### ECONOMIC RESTRUCTURING (\$22,320,000).

SO 1. Foster the emergence of a competitive, market-oriented economy in which the majority of economic resources are privately owned and managed (\$22,320,000).

USAID's economic restructuring programs focus on building upon Bulgaria's agricultural capacity, encouraging the growth of private enterprise and promoting sustainable use of the country's natural resources. To foster private enterprise and free market development, USAID programs work toward creating a commercial, legal and regulatory environment to promote privatization and private investment. USAID encourages the efficient use of energy and aims environmental assistance at reforming policies to favor private sector solutions, as well as supporting market-based biodiversity preservation and enhancement.

Activities. To further agricultural privatization, \$10 million was disbursed in 1992, to support Bulgaria's balance of payments and to generate local currency for operating expenses of over 200 land reform offices throughout Bulgaria. USAID's agricultural programs will foster improved production and marketing by working with private agro-processors to create linkages to private producers and with associations to advocate for policy change.

To encourage private sector development, USAID provides technical assistance, training and credit through intermediaries to support small and medium-scale enterprises and privatization. Assistance has been provided to the Council of Ministers and Parliament on a wide variety of commercial laws and

regulations, including advising on privatization laws, business management skills, bankruptcy and collateralized lending.

The Bulgarian-American Enterprise Fund was established to promote the development of free enterprise, entrepreneurship and market-based lending activities, pursuing potential investments in food, agribusiness, electronics and tourism. The Fund also supports Bulgaria's growing small business sector.

USAID programs aim at making the Bulgarian energy sector more cost-effective through privatization activities and training of staff in modern techniques of auditing and equipment usage. Waste minimization demonstrations are being carried out in three Bulgarian industries teaching private sector approaches to industrial environmental management. The USAID program is undertaking training and technical assistance to preserve Bulgaria's biodiversity.

Indicators. The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) Development and implementation of an efficient, transparent, replicable procedure for municipal privatization in 22 secondary cities (about 25% of the total Bulgarian population) by the end of 1995; (2) four banks, with multiple branches, intermediating \$5 million in small and medium enterprise loans through the Kompas Program in 1995, and an additional \$7.5 million in 1996; (3) number of enterprises with increased profitability, as shown by performing Enterprise Fund loans (300 in 1995 to 400 in 1996); (4) 10% increase in local source revenue in ten target cities per year, with five of the cities achieving 50% self sufficiency by the end of the three-year program; and (5) energy efficiency improved 10-25% by mid 1996 in 10 industrial plants as a result of energy savings measures identified during energy audits performed by private local consultants with technical support provided by USAID.

Progress in 1993-1994. While progress has been slow, and results still do not meet expectations in restructuring and privatization of industry, the USAID-funded, small-scale prototype auction program for municipal privatization being implemented in 10 major cities is proving to be a success. Upon completion of the program in early 1995, the number of privatized properties is expected to reach 276, with total revenues of about \$6.9 million. By providing confidence-building experience, developing public support and stimulating the emergency of sustainable local business consulting firms, the project demonstrates that economic development can be achieved through privatization, and its potential for replication is huge. The program is being expanded to 12 new municipalities.

The Bulgarian-American Enterprise Fund has provided \$5.7 million in loan and equity financing to a variety of industries, including agribusiness and agriculture (\$2,565,000), hotel and tourism (\$1,026,000), manufacturing (\$741,000), and transportation (\$684,000).

The Bulgarian Energy Efficiency Foundation was established to serve as a catalyst for policy change and business networking. Bulgaria's first municipal energy efficiency fund was established with assistance from the U.S. Energy Efficiency Foundation. Delivery of \$600,000 worth of equipment to the Kozloduy nuclear power plant improved the plant's operational safety.

With strong International Executive Service Corps (IESC) assistance, a private Bulgarian company opened the first Kentucky Fried Chicken franchise in Sofia in July 1994. The first McDonald's restaurant opened recently, and IESC's assistance should result in the opening of the first Pizza Hut shortly.

An interpretive center pilot project at Vitosha National Park has been initiated through USAID support. The center is to serve the public through development and production of informational and educational materials and exhibits, and through provision of commercial services on a concessional basis.

Donor Coordination. In collaboration with World Bank grantees, USAID-funded Land O'Lakes began

working with farmers, dairy processing managers, dairy specialists, academicians and politicians to encourage a grassroots approach to addressing dairy policy issues in Bulgaria.

Expertise in the areas of macroeconomic policy, bank restructuring, budget development and analysis, tax policy and administration, and bank supervision and audit has been provided by USAID-funded advisors from the Department of Treasury. These efforts are closely coordinated with bilateral and multilateral agencies efforts including the International Monetary Fund (IMF), World Bank (IBRD), European Bank for Reconstruction and Development Bank (EBRD), Organization for Economic Cooperation and Development (OECD), and the European Union.

Constraints. The Bulgarian government has been slow in passing key reforms needed to promote economic development. Recent reports indicate that Bulgaria has the highest inflation rate and the lowest economic growth rate in the Central and Eastern Europe region. Slow structural reform undermines the effects of macroeconomic policies and erodes public confidence in the possibilities of the economic transition. Recently, the Bulgarian National Statistical Institute reported that fewer than one-half of business executives polled planned any investment outlays in 1995. Prospects for a fourth IMF stand-by agreement are dependent upon lower inflation and positive economic growth. Talks on an agreement will not take place before the spring of 1995, after the new government is in place.

#### **BUILDING DEMOCRACY (\$13,750,000).**

**SO 2. Support the transition to transparent and accountable governance and the empowerment of citizens through the development of competitive and fair political processes (\$13,750,000).**

Through September 1994, more than \$23 million in USAID assistance has been directed towards the development of a strong democratic foundation that supports the active participation of citizens and nongovernmental organizations (NGOs) in political and economic life.

Activities. USAID activities to promote democracy include encouraging innovative mayors and municipal associations to play a key role in making government more responsive to citizens, the establishment of a four-year undergraduate institution, and the empowerment of NGOs. Supporting an independent judiciary, developing independent bar associations, and furthering legal education has been a continuing priority in Bulgaria. USAID technical assistance has helped independent judges establish a grass-roots NGO which will develop continuing legal education for the legal community. The USAID program continues to provide specific support to improve the functioning of and participation in elections.

Through the establishment of the American University of Bulgaria, students gain an American-style education, emphasizing participation, initiative, and responsibility. With close to 600 students, the University is helping to train a new generation of leaders to reinforce Bulgaria's democratic and market transition.

Training programs are conducted both in Bulgaria and in the United States. More than 5,000 Bulgarians have participated in market economics, business management, and English-language training courses, seminars, workshops and conferences offered by the University of Delaware throughout the country. The University of Delaware has established strong, successful partnerships with the New Bulgarian University, the Sofia Central Library, and the Institute of Economics, Bulgarian Academy of Science to sustain its programs. The participant training program has sent over 150 candidates for educational programs in the United States in public administration, agriculture, tax administration, statistics, health, labor, housing and environment.

The Bulgaria housing and urban development program has assisted municipal governments to conduct visibly fair and transparent review processes awarding private developers building rights to municipal land. Primarily, these processes demonstrate methods for municipalities to facilitate economic

development without direct ownership or control of assets. Also, these processes are another vehicle for local governments to reach out to local constituents, to increase the public trust in local government, to strengthen the case for responsible municipal government and to accelerate devolution of power from the national to the local level.

**Indicators.** The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) Municipal associations actively lobbying the central government on local government issues, by early 1996; (2) participatory process established for projects in each of ten target municipalities promoting citizen involvement in local government (such as public hearings, town meetings, citizens groups, and radio call-in outreach programs), by the end of 1996; (3) small grants provided to grassroots organizations for the purpose of building public participation and self-sustainability in raising funds, so that at the end of the three-year program, participating organizations raise at least 65% of their funds from non-U.S. Government sources; (4) Varna University department offers complete course in market-based environmental assessments and environmental business practices, by the end of 1996; and (5) three new cities instituting an open bid process for disposal of municipal land per year.

**Progress in 1993-1994.** The National Democratic Institute (NDI) and the International Republican Institute (IRI) were involved in the get-out-the-vote campaign for the 1994 parliamentary elections. While NDI focused on polling analysis, IRI centered its program on encouraging younger Bulgarians to vote. USAID funding has helped the Bulgarian Association for Fair Elections and Civil Rights, an indigenous NGO, learn the art of a grassroots organization.

The American University of Bulgaria will graduate its first class in the spring of 1995.

**Donor Coordination.** The Soros Foundation has been supportive of USAID efforts in Bulgaria, including the American University of Bulgaria. USAID will coordinate with the World Bank and other donors undertaking projects with infrastructure components, to ensure that these projects contribute to the strengthening of municipalities and decentralization of power to local officials.

**Constraints.** Bulgaria's worsening economic situation distracts from NGO support. In addition, the splintering of reformist-oriented parties has weakened initial momentum in grassroots movements.

### 3. SOCIAL SECTOR RESTRUCTURING (\$5,960,000).

**SO 3. Strengthen the capacity to manage the human dimension of the transition to democracy and a market economy, and help sustain the neediest sectors of the population during the transition period. (\$5,960,000).**

USAID programs involved in social sector restructuring work to improve the sustainability of social services.

**Activities.** In the labor area, USAID has funded employment services and mass layoff response programs for dislocated workers. Future assistance will focus on pension and welfare reform, and improving vocational and transitional training programs. Through technical assistance and partnerships with U.S. hospitals, USAID seeks to improve patient care in Bulgarian hospitals and introduce market-based approaches such as performance-based contracting.

**Indicators.** The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) enforcement of nuclear power plant safety standards demonstrated consistently by the end of 1996; (2) a structured inspection system and inspection procedures in place by the end of 1995. Safety analyses performed at the nuclear power plant by trained Bulgarian inspectors according to internationally accepted standards by end of 1995; (3) in order that unemployment benefits reach the truly needy, extensive reforms to local employment offices spread beyond three pilot

offices at the end of 1994 to include three new offices by the end of 1995, and all nine regional offices by the close of 1996; (4) the model for a community approach to the workforce needs of socially disadvantaged groups is replicated in seven sites by the end of 1996, saving one million leva; (5) emergency aid is provided to 150 to 200 sick and injured children a day in the children's triage unit in Sofia by September 1995.

Progress in 1993-1994. The employment services and dislocated worker program has had nationwide impact through the creation of a uniform regional employment services structure based on an operational manual drafted with U.S. assistance. The dislocated worker and mass layoff program, which involves an early warning and quick response system in a labor-management-government framework, has been well received and is being applied nationwide. A pilot employment and training program based in an ethnic minority region targets groups at risk of going on social welfare (e.g. the long-term unemployed, single mothers, young workers). In its pilot stage, this welfare-to-work project served 180 social welfare recipients in a region facing very high unemployment, placing 110 people in jobs in the project's first five months and resulting in a net financial savings to the state.

A continuing partnership between the International Eye Foundation, USAID, and Sofia's Center for Sight has resulted in a sharp increase in ophthalmic care for children, the aged and the general population. A pilot hospital data collection and cost-accounting project has garnered strong support from both the community and regional governments eager to improve health care through improved allocation of municipal health budgets. With U.S. and Bulgarian government funding, a trauma care unit opened in 1994 and is receiving extensive help from the Children's Hospital of Philadelphia. The facility will improve Bulgaria's pediatric trauma care and serving as a nationwide model.

Cardiovascular care protocols were developed by Bulgarian and U.S. physicians from Michigan State University and Sparrow Hospital. Building upon these protocols, a national system of continuing medical education has been put into operation and continued without reliance upon U.S. assistance.

Donor Coordination. Close coordination with the United Nations Development Program, the European Union, and the World Bank in the labor market field has enabled USAID activities to leverage other donor funds. Extensive consultations with the World Bank preceded initiation of the hospital record keeping effort, which constitutes an essential building block for introduction of market reforms to a sector where costs and benefits are quite unknown.

Constraints. Difficult economic conditions have weakened the ability of the government to provide adequate social support. Because provision of this support is important to the government for political and social reasons, it has tended to maintain the status quo, draining fiscal resources in the process. Such an approach is not sustainable.

#### Other Donor Resource Flows.

According to the Group of 24 statistics, the United States provided about 21% of technical assistance to Bulgaria. Other major donors are the World Bank, European Investment Bank of the European Union, Italy, and the United Kingdom.

**BULGARIA**  
**FY 1996 PROGRAM SUMMARY**

USAID Strategic Objectives	
Economic Restructuring	\$22,320,000
Building Democracy	\$13,750,000
Social Sector Restructuring	\$ 5,960,000
Total	\$42,030,000

USAID Representative: John Tennant

## CROATIA

FY 1996 Assistance to Central and Eastern Europe Request: . . . . . \$13,210,000

Following the outbreak of war in 1991, in the former Yugoslavia, most U.S. assistance to Croatia has been humanitarian, targeting Bosnian refugees and Croatian displaced persons. USAID programs help alleviate the burden these refugees and displaced persons place on the Croatian economy and support private and public Croatian institutions assisting these people. Our assistance also aims to benefit the Croatian economy and foster the development of a democratic system in Croatia, and in doing so, further the U.S. foreign policy objective of promoting stability in the Balkans.

**The Development Challenge.**

The provision of emergency humanitarian assistance has been critical to alleviating the suffering of refugees and displaced persons in Croatia, and it will continue to be a significant portion of the U.S. assistance program. However, as hostilities have ceased in Croatia, USAID has begun to assist Croatia transform to a democratic market economy through modest support of democratic initiatives, including nongovernmental organization (NGO) development, and economic restructuring activities in areas such as bank supervision.

**Strategic Objectives (SOs).**

USAID is pursuing the following three strategic objectives in Croatia.

**SOCIAL SECTOR RESTRUCTURING/HUMANITARIAN ASSISTANCE (\$8,000,000).**

**SO 1. Mitigate the near-term negative impact of the war in Bosnia-Herzegovina and strengthen the capacity to manage the human dimension of the transition to democracy and a market economy, and help sustain the neediest sectors of the population during the transition period (\$8,000,000).**

Croatia has over 400,000 refugees and displaced persons within its borders -- many of whom are traumatized by the war and who will need to be re-united with family members and ultimately resettled. There is a real need for community development and ethnic-reconciliation activities. In addition to ethnic hostilities and the impact of nearly three years of war, there is not much sympathy for the continuing plight of refugees and displaced persons. In addition, trauma care providers have special needs that need to be addressed in order for them to cope themselves and to continue to work successfully with war victims.

Activities. Through a cooperative agreement with the International Rescue Committee (IRC), USAID provides financial, technical and organizational assistance to local groups working with victims of trauma and reunifying families and displaced children in Croatia. Because the aftermath of the war will have repercussions for years, USAID has concentrated its program on local nongovernmental organizations (NGOs) which will be able to continue to serve people affected by trauma long after USAID funding ceases.

Six U.S. NGOs have been awarded grants to carry out the following community development activities, in partnership with local organizations: social reintegration, household economic security, community legal advocacy and rights, and training activities for mental health providers working with traumatized populations. America's Development Foundation is assisting Croatian lawyers to create four legal aid programs throughout Croatia to help ensure that Serbs and other minorities, refugees and displaced persons are fairly represented. Catholic Relief Services will assist the Croatian equivalent of the American Psychological Association to work across ethnic and national boundaries to help trauma survivors. The Center for Attitudinal Healing is establishing peer group counseling programs to help trauma survivors deal with loss and grief. Delphi International will be working with women's groups

in Croatia on conflict resolution, women's reproductive health, micro-enterprise development, and on establishing communication links with women's organizations across ethnic and national lines. The Harvard program in refugee trauma under the Harvard School of Public Health will establish a mental health referral system, training program and accreditation process for trauma providers. They are also providing training opportunities for U.S. and Croatian professionals to collaborate on developing innovative strategies to heal torture survivors and to promote inter-ethnic reconciliation. Finally, Save the Children Federation is creating over 700 preschool and study centers in Croatia (and Bosnia-Herzegovina) to allow refugee and displaced children to continue their studies.

Under an emergency medical program, USAID has funded Project HOPE to procure, deliver and distribute medicines and medical supplies to hospitals and medical facilities in Croatia. Through a cooperative agreement with the American International Health Alliance (AIHA), USAID also is supporting hospital partnerships which link American medical centers and providers of trauma services with counterpart institutions in Croatia to solve health care delivery problems.

Indicators. The following is a partial list of preliminary indicators measuring progress toward this strategic objective: (1) through the AIHA partnership, professional exchange returnees apply newly acquired knowledge and skills to improve health status, patient satisfaction, clinical outcomes and cost by 1997; (2) by mid-1996, Save the Children Federation pre-schools will provide educational services to over 2,000 refugee and displaced children; (3) by 1997, the Center for Attitudinal Healing's peer counseling program will have the capability to work with all referrals to the center; and (4) by the end of 1996, under the Harvard activity at least 50% of trauma providers will be accredited.

Progress in 1993-1994. With USAID funding, IRC has provided a sub-grant to a group of child welfare specialists working through the Soros Foundation in collaboration with the United Nations (UN), the International Committee of the Red Cross and others providing emergency interim care, tracing and reunification for unaccompanied children from the former Yugoslavia.

Three shipments of emergency medicine and supplies totalling over \$11 million were delivered to hospitals in Croatia over the past 18 months. The AIHA hospital partnership project was just initiated and the grant for the NGO community development program was awarded in September 1994. It is too early to report progress on these activities.

In addition, in FY 1994, USAID's Office of Food for Peace provided \$15,186,600 in grants to the World Food Program (WFP) the American Red Cross and Catholic Relief Service for food distribution to war-affected populations in Croatia.

Donor Coordination. USAID is coordinating its activities with relevant UN agencies, including the World Health Organization and the UN High Commissioner for Refugees (UNHCR), and the NGO community.

Constraints. The ongoing war in Bosnia-Herzegovina and movements of refugees and displaced persons within Croatia make it difficult to plan and carry out these projects.

#### **BUILDING DEMOCRACY (\$1,675,000).**

**SO 2. Support the transition to transparent and accountable governance and the empowerment of citizens through democratic political processes (\$1,675,000).**

Until a lasting peace is secure, it will be difficult to achieve progress in areas such as inter-ethnic reconciliation, rule of law, NGO development and free media. The society is heavily burdened with its refugee and displaced person population. The civil and criminal court systems function much as they did before independence. There is a constitutional court empowered to consider disputes based on Croatia's lengthy constitution; but the judiciary at all levels has been slow to act, has declined to act, or has been subject to political influence in controversial areas such as disputed broadcasting licenses,

evictions, and accusations of alleged government corruption. Croatia does not have an atmosphere which is friendly to NGOs, and current laws make it difficult for many organizations with energy and good ideas to set up operations, let alone carry out activities. Virtually all electronic media, television and radio, are state-run and controlled.

Activities. As stated above, America's Development Foundation is assisting Croatian lawyers to create four legal aid programs throughout Croatia to help ensure that Serbs and other minorities, refugees and displaced persons are fairly represented. The American Bar Association's Central and East European Law Initiative (ABA/CEELI) aims to reform the bar, the judiciary, and commercial law and legal education systems as well as to implement a sister law school program.

The International Rescue Committee will continue to build local NGO capacity through technical assistance and training by partnerships linking local organizations in Croatia with U.S. organizations.

Various free media activities, such as provision of newsprint and training of journalists, and other democratic institution support activities are in place as well.

Indicators. The following is a partial list of preliminary indicators measuring progress toward this SO: (1) by the end of 1996, at least 50% of Serbs and other minorities in territory controlled by the Croatian government will have access to equitable legal assistance; (2) by the end of 1996, trainees in the American Bar Association's methods and ethics courses will demonstrate their knowledge and skills enabling the reformed Croatian Bar to become a key element in Croatia's new legal infrastructure; and (3) by the first quarter 1996, a new judicial code of ethics and commercial law code will have been drafted.

Progress in 1993-1994. Through ABA/CEELI, judicial leaders travelled to the United States to participate in an international conference on court technology and receive related training. Under a U.S. Information Agency grant program, groups of young political and governmental leaders visited the United States to observe how American government and social institutions work to protect the rights of all groups in a successful multi-racial, multi-ethnic society.

Under the IRC NGO development project, funding has been provided to over 25 Croatian NGOs including women's groups, professional organizations and voluntary organizations serving the psychosocial needs of civilian war victims, especially trauma victims in refugee and displaced populations. IRC also has provided a sub-grant to a group of child welfare specialists working through the Soros Foundation in collaboration with the United Nations, the International Committee of the Red Cross and others providing emergency interim care, tracing and reunification for unaccompanied children from the former Yugoslavia.

Donor Coordination. USAID coordinates with the United Nations, the NGO community and donors to implement this objective.

Constraints. The perception and often the reality that the present Croatian leadership is less than completely open to a truly democratic society makes some projects difficult to implement. For example, some community leaders may not be willing to speak openly about problems in the society for fear of negative consequences. Despite this climate, there are opportunities to strengthen democratic institutions.

#### **ECONOMIC RESTRUCTURING (\$3,535,000).**

**SO 3. Foster the emergence of a competitive, market-oriented economy in which the majority of economic resources are privately owned and managed (\$3,535,000).**

The normal challenges facing an economy in transition are greatly intensified in Croatia by the effects

of the war and the ensuing security problems and uncertainty. Total war damage in Croatia has been estimated at over \$20 billion. The burden of over 400,000 refugees and internally displaced persons also has placed a tremendous strain on the economy. Transportation, energy production, tourism and trade have all suffered. Trade with the former Yugoslavia (except Slovenia and Bosnia-Herzegovina) has been disrupted and export markets to Eastern Europe and the Middle East have been lost.

With the relative peace, an ambitious Government of Croatia (GOC) economic stabilization program instituted in October 1993 aims to lay foundations for long-term growth, focuses on fiscal stabilization, currency reform and accelerated privatization and is dependent on support from the international financial institutions (IFIs). This program has thus far been relatively successful. For example, foreign credits totalling \$128 million from the World Bank were available in June 1994, and International Monetary Fund credits are to follow; a new currency, the kuna, replaced the dinar in May 1994; and the re-establishment of the tourism industry, particularly along the Dalmatian Coast, is expected to greatly assist in servicing Croatia's \$2.8 billion foreign debt. U.S. assistance in support of economic transition is focused primarily on the financial sector.

The privatization of smaller firms has been fairly successful. However, the security situation and the uncertainties it brings has slowed the privatization of larger firms, and only about one third of socially-owned enterprises have been privatized through employee buy-outs.

Related to enterprise privatization is bank restructuring. Remaining socially-owned enterprises are tied to correspondent banks, a legacy of the former Yugoslav system. Loss-making enterprises own a substantial part of the banking system, which forces allocation of credit to the banks which, in turn, forces them into a crisis. As a result, many banks are insolvent and illiquid. Croatian authorities are attempting to reduce the link between enterprises and banks; however the responsible agencies do not have adequate staff to address the situation. Until the staffing situation improves, the authorities rely on restrictions on bank credit to force enterprises to adjust.

Activities. In response to a request from the Croatian Government, in FY 1995 USAID initiated a bank supervision project to provide technical assistance and training for privatization of Croatian banks. Focus areas of the bank project are bank supervision and rehabilitation, the payments system, monetary policy implementation, banking legislation, and establishing a government securities market.

Through the entrepreneurial management and executive development program, USAID will provide training to support the development of needed business skills. In a transition climate such as Croatia's, the participant training program is especially useful as it can provide opportunities for technical training as they are identified.

Indicators. The following is a partial list of preliminary indicators measuring progress toward this strategic objective: (1) By the first quarter 1996, a bank privatization plan will have been established, and 10 banks will have begun privatization; (2) Trainees and technical assistance recipients demonstrate that they are utilizing their training to facilitate bank supervision, management, privatization and entrepreneurial efforts.

Progress in 1993-1994. The principal activity in support of this objective has just been initiated.

Donor Coordination. USAID is coordinating with the IFIs, such as the International Monetary Fund and the World Bank. The U.S. is the only bilateral donor providing non-humanitarian technical assistance to Croatia.

Constraints. The war in the former Yugoslavia has required the U.S. Government to give priority to humanitarian assistance. However, assistance is now being extended to support economic transition in anticipation of the resolution of the conflict in the region.

**Other Donor Resource Flows.**

As the lead UN agency providing humanitarian assistance to the former Yugoslavia, the UNHCR is responsible for land convoy coordination, supplying airlifts into Sarajevo and airdrops of relief supplies. The UN's World Food Program is the primary food donor throughout the region. The UN Protection Force is responsible for escorting UNHCR convoys and peacekeeping operations in Bosnia-Herzegovina, Macedonia and the UN Protected Areas in Croatia. According to UNHCR's latest appeal, contributions to its program in the former Yugoslavia totalled \$90,717,776 through August 30, 1994, approximately 14% of which went to beneficiaries in Croatia. Total U.S. Government contributions from all sources through FY 1994 totalled \$770,073,101, with roughly the same percentage benefitting those in Croatia.

**CROATIA  
FY 1996 PROGRAM SUMMARY**

USAID Strategic Objectives	
Economic Restructuring	\$ 3,535,000
Building Democracy	\$ 1,675,000
Humanitarian/Social Sector	\$ 8,000,000
Total	\$ 13,210,000

USAID Representative: Charles Aanenson

## CYPRUS

FY 1996 Economic Support Fund Request: ..... \$15,000,000

Cyprus continues to suffer from the strains of past inter-ethnic conflict and current distrust and misunderstanding. The divided island of Greek and Turkish Cypriots could be a flashpoint for regional problems, with potential spillover consequences for the countries of Greece and Turkey. This could affect the stability of the southern tier of Europe, which would further aggravate disputes in the Balkans and the New Independent States of the former Soviet Union.

#### The Development Challenge.

Both the Greek Cypriot and Turkish Cypriot communities confront varying economic problems; however, this is not the principal reason for USAID funding. In fact, gross domestic product (GDP) per capita on the Greek Cypriot side has risen to nearly \$13,000; on the other hand, the Turkish Cypriot side has stagnated at around \$3,000. USAID assistance can help to address some economic constraints, but the main focus is facilitating a political solution on the island, while tangentially benefitting social and economic areas.

#### Strategic Objective (SOs).

**SO 1.** To take measures aimed at reunification of the island and designed to reduce tensions, and to promote peace and cooperation between the two communities on Cyprus (\$5,000,000).

Working through the United Nations High Commission on Refugees (UNHCR) and the U.S. Information Agency (USIA), USAID funding promotes activities which require and encourage participation by representatives of both communities. This bi-communal approach is intended to demonstrate the positive, substantive results of cooperation. Further, the linkages established between individuals and groups from a variety of society's sectors will contribute to: (1) the long-shot possibility of pressuring each side's leadership to compromise on an equitable solution, or (2) at least, providing acquaintances and stakeholders in seeing that a solution succeeds.

**Activities.** The bicomunal development program implemented through UNHCR and the Cyprus Red Cross includes agricultural activities such as forestry and pest control, environmental programs improving air and water quality, health components building infrastructure to support prevention and treatment of illnesses, sewerage treatment and rehabilitation of areas near the green line. The scholarship project implemented through USIA and the Cyprus Fulbright Commission offers U.S. scholarships for undergraduate and graduate degrees, and short-term bicomunal training in conflict resolution and business management.

**Indicators** UNHCR and USIA have not established a thorough monitoring and evaluation system. These entities are assessing the situation, and will formalize a basic system in FY 1995.

**Progress in 1993-1994.** The political situation has not changed markedly. The number of contacts between individuals and groups increased overall as a result of USAID project activities. A variety of external events with direct and indirect impacts on Cyprus worsened the political environment. All activities moved forward over the period; however, impacts have been marginal at best.

**Other Donors.** No other donors work significantly in undertaking bicomunal development and training activities. The United States is the last donor financing the UNHCR program.

**Constraints.** Activities requiring bicomunal participation are beholden to the political environment. Movements from side-to-side are rare, even to neutral territory. Implementation of each activity falls prey to the political agendas of either side.

**Other Donor Resource Flows.**

According to statistics from the Development Assistance Committee of the Organization for Economic Cooperation and Development, the United States provided about 42% of all official development assistance to Cyprus. Other major donors are the United Nations High Commission for Refugees, the Economic Development Fund of the Europe Union, France and the United Kingdom.

**CYPRUS  
FY 1996 PROGRAM SUMMARY**

USAID Strategic Objectives	
Promoting Peace	\$ 15,000,000
Total	\$ 15,000,000

Director, Office of European Country Affairs: Peter Orr

## CZECH REPUBLIC

FY 1996 Assistance to Central and Eastern Europe Request: . . . . . \$7,460,000

Assistance under the Support for East European Democracy (SEED) Act to the Czech and Slovak Federated Republic began in 1990. The Czech Republic has subsequently enjoyed a successful and relatively stable macroeconomic transition with regard to monetary and trade policy, and to a lesser extent, structural reform. Peaceful elections have taken place and the famous "velvet divorce" was quickly and peacefully negotiated with the Slovak Republic early in 1993. More than four years of continuing economic reforms are producing successful results: macroeconomic stabilization, extensive privatization, low unemployment, and a balanced budget. Democratic institutions are in place, and the governing coalition remains politically popular.

The Government of the Czech Republic (GOCR) retains support because it has produced visible change while selectively maintaining public subsidies. The GOCR has moved slowly on reform in some areas, including energy pricing, rent control, bankruptcy, and restructuring of large industries. For economic growth to be sustained, further reform efforts are needed in areas such as corporate governance, bank regulation, capital markets, energy, housing, social welfare support, and the environment.

USAID has played a key supportive role in the success of the Czech economic transformation. USAID efforts have been effective because of the Czech leadership's vision and commitment to reform policies and its responsiveness to assistance. USAID has provided targeted, demand-driven assistance throughout the transition process. Assistance in privatization, banking reform, municipal finance and development, and strengthening of democratic institutions has played a pivotal role in the overall economic reform process. Other assistance projects, though smaller in resource outlay, have produced impressive results, especially in the environmental and energy sectors, in telecommunications, and in management training.

The role of U.S. private investors throughout the transformation process should not be overlooked. Since 1992, U.S. businesses have committed \$1.2 billion to the Czech economy as compared with Germany's \$1.1 billion and France's \$656 million. This trend should continue due to the recent passage of a rigorous Czech procurement law, which offers U.S. bidders an open and competitive process for supplying goods and services to all levels of government and the fact that major energy and telecommunications tenders are coming up in 1995.

#### The Development Challenge.

Of the emerging democracies in Central and Eastern Europe (CEE), the Czech Republic has one of the most developed industrial economies. It is viewed by many as a model of successful transformation, and there is general optimism about the medium-term outlook for the Czech economy. The Czech Republic's low unemployment, relatively low rate of inflation, and initial success in Western markets are in part due to the Government's "low wage" policy. Moreover, astute economic management has led to the liberalization of 95% of all price controls, annual inflation of about 10%, budgetary deficits of less than 2% of gross domestic product (GDP), low unemployment, a positive balance-of-payments position, a stable exchange rate and a manageable foreign debt. Yet, taking into account the above, the republic's economic transformation is far from complete. The government still faces serious challenges in transforming the housing sector, privatizing the health care system, solving serious environmental problems, and helping the newly privatized state-owned companies adjust to the rigors of free market competition.

Assuming that economic and institutional reforms continue at their present pace, the U.S. Government believes that the SEED assistance program for the Czech Republic can be phased down and out over the 1995-1997 period. A formal phase-out strategy was approved in 1994, reflecting both current priorities of the Czech Government and strategic needs as perceived by USAID. To this end, the

primary focus of the continuing program will be placed on local and municipal development and democratic institution-building. The USAID advisory team on privatization will focus new efforts on enterprise restructuring. FY 1996 will be the final year of new SEED obligations, with the exception of regional activities (e.g. the regional law and democracy program) and minor funding for USIA managed grants programs. In addition, implementation of the following country-specific activities will extend through FY 1997: Housing Guarantee-funded municipal finance program and related technical assistance, transborder environmental sector activities, participant training, management training, and the Peace Corps program.

#### Strategic Objectives (SOs).

USAID is pursuing the following strategic objectives in the Czech Republic.

#### ECONOMIC RESTRUCTURING (\$3,360,000).

SO 1. Foster the emergence of a competitive, market-oriented economy in which the majority of economic resources are privately owned and managed (\$3,360,000).

Since 1990, the Czech economy has shifted from 98% public to over 80% private ownership, and USAID has played a central advisory role in this process through provision of technical services, imparting financial, legal and managerial skills across a broad spectrum of the restructuring process. Completing the major portions of the privatization program and establishing the basic infrastructure needed for the sustainability of key reforms are essential in these remaining years of the SEED program. Continuing activities must take account of a new phase of GOCR requirements, which relate to regulatory, legal, institutional, and administrative needs.

Activities. The centerpiece of U.S. assistance for privatization continues to be the team of advisors at the Ministry of Privatization, the National Property Fund, and the Ministry of Industry. The team now concentrates on industrial restructuring and assistance with regard to major tenders in the energy and telecommunications sectors. Assistance by USAID-supported volunteer organizations also continues to restructure enterprises and small businesses.

One of the nation's largest commercial banks, Komerční Banka, was threatened with insolvency late in 1992. A USAID-funded long-term advisor from the U.S. Department of Treasury worked with the bank chairman to engineer a bail-out with the Consolidation Bank. According to the chairman, this advisor saved the bank. USAID consultants are now helping the Savings Bank to manage mutual funds and helping the Trade Bank to become a private full-service bank.

Although the commercial banking sector has liquidity, most loans are short-term and long-term financing is unavailable for either private or public borrowers. The new Housing Guaranty Program, backed by a \$100 million Czech Government guaranty, will provide risk assurances to a municipal infrastructure fund, enabling commercial banks to offer long-term loans to municipal governments for housing-related infrastructure development.

Indicators. The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) 50% increase in municipal financing (debt) through lending by at least nine commercial banks and bond issuance by end-1995; (2) up to fifty post-privatization companies, representing about 500,000 jobholders, financially restructured by mid-1996; (3) 95% of Czech banking sector privatized by the end of 1996; (4) stock exchange predominant equity market by mid-1996 (representing more than 50% of share-trading by value); and (5) entire gas and electricity distribution system restructured and 20% privatized by the end of 1996.

Progress in 1993-1994. With assistance from the USAID advisory team of investment bankers and accountants, the Czechs have closed more than 120 deals. Foreign investment funds in these

transactions total almost \$2 billion in direct investment. The advisory team has helped to create a foreign investment environment seen as fair and transparent, and U.S. investors have contributed almost 30% of the value of the 120 approved transactions.

When the Prime Minister requested urgent assistance in revising the Czech bankruptcy law, USAID provided an expert U.S. bankruptcy attorney within six days. Legal assistance also is provided to the Ministry of Finance in preparing non-profit legislation. It is expected that the law will be passed by the Parliament in mid-1995.

Management training and economics education are central to the USAID strategy and have drawn on the U.S. Information Agency's (USIA) experience in educational programs. The Czechoslovak Management Center MBA program, a PhD program at Charles University, and the program at the University of Economics at Prague are highly successful and renowned sustainable institutions that grew with USAID funding. USAID has provided training to qualified Czech professionals, of whom 100 have visited the United States since 1991.

A wide variety of U.S. assistance has been offered to Czech financial institutions. Assistance to the Czech Savings Bank shifted in 1993 from the bank's management and operations to focus on the bank's mutual fund, the largest in the country. The Komerční Bank's long-term advisor completed his tasks, having helped the bank deal with international audits, restructure its balance sheet, and negotiate with such international lenders as the European Bank for Reconstruction and Development (EBRD). The advisory team at the Czech Foreign Trade Bank (CSOB) began its work in 1994 to help move the bank toward privatization and will continue this assistance in 1995. Support for training at the Czech Banking Institute helped the institute produce a plan for becoming self-sustaining within a few years.

The Housing Guaranty program, through its associated technical assistance provided to several cities, made significant changes in how these cities will approach commercial banks for long-term financing. Similar advice to other cities and commercial banks is expected to prompt further changes in loan terms and conditions. Technical assistance began in 1994.

In 1994, assistance to the environment sector has shifted increasingly toward helping identify and develop projects for financing. This builds upon previous energy and environment assistance, for example, to municipalities, including environmental risk assessments and energy efficiency studies. The State Environmental Fund will also be receiving help on how best to manage its resources.

The Czech American Enterprise Fund has made 20 investments in the Czech Republic, two of which were joint investments with other donor agencies, the Japanese International Development Organization (JAIDO) and the EBRD. While U.S. advisors helped amend the bankruptcy law, the impact of bankruptcy was reduced by Czech efforts to initiate the financial restructuring of larger firms. Training programs in corporate governance and commercial law were designed and were put into effect in 1994.

Donor Coordination. USAID has the strongest bilateral country program presence in the Czech Republic and attaches particular importance to sharing information with other donors represented in the capital. The major coordination mechanism is the Ministry of Economy's Center for Foreign Assistance, where quarterly briefings and more frequent ad hoc coordination meetings are held on matters such as proposals for World Bank, United Nations Development Program, and EBRD financing for environmental infrastructure. USAID also participates in Group of 24 policy coordination meetings.

Constraints. The Czech Government and Parliament face a large policy agenda and bear ultimate responsibility for the restructuring process. The USAID role is one of support for the Czech program rather than one of leadership. For example, two years ago the USAID-perceived need for telecommunications regulation investment evoked little interest. More recently, however, preparation

of a tariff policy for telecommunications has become a Czech priority because of its own realization that this was crucial to its privatization program. Until the government became committed to telecommunications privatization, effective assistance in regulation and tariff policies was not possible.

The government's conservative economic policies have limited the role of international financial institutions such as the World Bank, which encourage certain kinds of institutional and structural reform under their loan terms. Only late in 1994 did an energy law pass, giving a framework on which to base investment decisions. The regulatory framework will be hotly debated throughout this year. In early 1994, the banking system experienced turbulence, as three banks faced major liquidity crises, coupled with scandal. The Czechs moved rapidly to address this problem, setting higher reserve requirements, increasing bank supervisory capacity, and revising bank regulations. Problems in the sector are expected to persist, however, as credit analysis capability remains weak and problem loan portfolios are substantial. With rapid expansion of the banking sector (the number of employees has increased from 8,000 to 50,000 in just four years), continuing instability is expected for the next two to three years.

The fledgling Czech capital markets are suffering from poor regulation, illiquidity, and inadequate availability of information. To date, no major scandals have surfaced, but the potential for abuse exists. The Czechs are debating the appropriate regulatory structure for the market, and implementing ad hoc reforms to improve operations and enable faster settlement of transactions.

#### **BUILDING DEMOCRACY (\$1,100,000).**

**SO 2. Support the transition to transparent and accountable governance and the empowerment of citizens through democratic political processes (\$1,100,000).**

Activities. As privatization enters its final phase, the Czech Government has asked the U.S. Government to help in broadening public participation at the district and municipal levels, as well as continuing work at the national level to clarify policies, delineate responsibilities, and facilitate local initiatives. USAID programs help extend the reform process while cushioning the impact of restructuring in ways that encourage local initiative and responsible self-governance.

The U.S. tradition of volunteerism, as typified by the Peace Corps, International Executive Service Corps, Citizens Democracy Corps, Volunteers in Overseas Cooperative Assistance, MBA Enterprise Corps, and Financial Services Volunteer Corps, have contributed greatly through programs funded by SEED. In addition, the Joint Distribution Committee has trained about 1,000 people in methods of caring for the elderly. Through these programs over two hundred Americans have served as volunteers at all levels of the public and private sectors.

U.S. assistance is directed to local government, with a view to strengthening administrative and financial capabilities and promoting local authorities' responsiveness to the public will. Emphasis will shift from democratic institution-building to encourage public participation and improving responsiveness to public concerns. Decentralization of governmental authority is an official Czech policy, and implementation of the new tax law provides new resources for local government. Strengthening local government capacity will be a high USAID priority during the phase-out period.

There is a high degree of complementarity between technical assistance provided under the Housing Guaranty loan program and local government assistance. The Housing Guaranty program and its technical assistance component will be extended to an additional group of cities. This program provides technical assistance to help elected officials and civil servants to understand the role of municipal finance, the importance of capital investment and fiscal responsibility, and the importance of responsive governance. American experts explain municipal finance, budgeting, and how priorities flow up from local citizen rather than down from the central government.

A new initiative, under the democracy program announced by the U.S. President in 1994, will focus on strengthening Czech nongovernmental organizations (NGOs). Through the program, grants have been awarded to the Foundation for a Civil Society and the National Forum Foundation, funding provided to the U.S. Information Agency (USIA), and a contract awarded to the International Center for Non-Profit Law. These funds will provide technical assistance, training, and small grants to Czech grass-roots organizations.

Successful educational and media reform will support the political and economic policy reforms currently under way, and provide skills to future leaders in a democratic, market-oriented society. U.S. assistance in this domain is a long-term endeavor. It is likely to be continued as a regular core-funded program of USIA. Assistance has been directed to training institutes for administrators and teacher trainers, with emphasis on civic education, school administration, finances, and curriculum and teaching materials development. New activities under the democracy program will assist efforts to encourage freedom of expression among Czech students.

Under the rule of law project, USAID will provide postgraduate training for Czech lawyers and assist Czech parliamentarians in revising the Czech criminal procedure code along American judicial lines. At the request of Czech authorities, a USAID-funded American Bar Association's law initiative is involved in development of ethical codes and standards of professional behavior to strengthen the independence of the legal profession.

Indicators. The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) Legal framework for Czech non-profit organizations in place by mid-1996; (2) thirty Czech community-based NGOs registered and fully functioning as legal, fund-raising, non-profit organizations by end-1996; (3) five municipalities implementing strategic economic development plans by end-1996; (4) five municipalities instituting formal procedures for broad citizen participation in decision-making and oversight by end-1995; and (5) adoption by its members of Czech Bar Association ethics code, incorporating standards of conduct and professionalism for the legal profession, by mid-1996.

Progress in 1993-1994. In May 1994 the Housing Guaranty loan program implementation letter was signed. The program has been very visible to the public and strongly endorsed by Czech commercial banks. Czech municipalities have voiced strong support and are actively preparing project proposals for financing through the Housing Guaranty resources. In addition to the Housing Guaranty Loan, the SEED program will continue to finance technical assistance to commercial banks in project evaluation and underwriting, as well as to local governments in capital development planning and project development methods. Some additional assistance will be given at the national level to the Czech development bank responsible for managing the infrastructure financing. It is recognized that the demand for loan financing under this guaranty may extend beyond the FY 1997 close-out date; appropriate management would be assured by one of the other USAID field offices in Europe.

One of the lessons learned from the U.S. assistance program in the Czech Republic is the importance of deploying resources outside the capital city. Initially USAID programs were directed to serving the Czech Government and institutions close to Prague. Much of USAID assistance is now dispersed to districts and municipalities away from the capital area. The recently established municipal infrastructure finance fund, public administration, and democracy network are targeting assistance to communities throughout the country.

With a SEED grant, the U.S. Library of Congress helped to redesign and equip the entire electronic research and archive system of the parliament -- a task completed successfully in 1994.

Donor Coordination. The newly-established U.S. Embassy democracy commission has been active, not only in coordinating U.S. Government activities but also in encouraging coordination among other donor programs, including those of the European Union and charitable institutions such as the

Rockefeller Brothers, Mott, Mellon, and PEW Charitable Trust Foundations.

Constraints. Forty years of Communism have not engendered much enthusiasm on the part of individuals or private businesses to assume financial responsibility for not-for-profit public purpose organizations. There is some misunderstanding of the public-interest role of such organizations, and a tendency to confuse them with private groups serving a closed membership.

**SOCIAL SECTOR RESTRUCTURING (\$3,000,000).**

**SO 3. Strengthen the capacity to manage the human dimension of the transition to democracy and a market economy, and help sustain the neediest groups of the population during the transition period (\$3,000,000).**

Activities. In health sector restructuring, technical assistance and training in health insurance and actuarial analysis have been provided to the General Health Insurance Company and several branch health insurance companies to master new skills required for developing health policy, financing and analysis. USAID has provided \$2.1 million under the regional partnership in health care project, to help provide assistance to Czech health institutions in efforts to improve prevention, diagnosis, and treatment of heart disease. Under the same project, Czech medical societies have been assisted to formulate and adopt standards of excellence for their medical specialties, so that membership can be restricted to those health care providers meeting those standards. With USAID assistance, the Ministry of Health is establishing a quality care assurance Department, which will regulate and monitor the health care standards set by these societies.

Indicators. The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) Reduction by at least 15% of severe pollution health risks, as identified by baseline U.S.-assisted risk assessments, in Northern Moravia and Northern Bohemia regions by mid-1996; (2) adoption and implementation of a Quality Assurance (QA) program by the Ministry of Health and the Czech medical chamber by end-1995; (3) 20% decrease in cardiovascular disease mortality rate by mid-1996; (4) the U.S.-assisted model for community living arrangements for mentally handicapped adults replicated by Czech NGOs on a self-sustainable basis, in at least ten cases by end-1995; and (5) ten environmental technology or mediation projects financed for implementation by end-1996.

Progress in 1993-1994. Technical assistance and training in health insurance and actuarial analysis were provided to the General Health Insurance Company and to several branch health insurance companies, enabling them to master new skills for developing health policy, financing, and analysis.

A mobile seminar in the United States was organized in 1994 to inform Czech policy makers, including the Minister of Health, about the U.S. system of managed health care. Assistance continued, pursuant to a request from the Minister of Finance, to create a legal framework for introducing not-for-profit institutions into the health sector.

Donor Coordination. USAID briefs the Ministry of Economy's Center for Foreign Assistance regularly. However, there is little activity by other donors in the social sector.

Constraints. U.S. assistance to the Czech Republic has been based on the overall priorities of government leadership, and individual activities have been demand-driven since 1991. The Czech government consistently asked donors to give priority to assisting the economic transformation, particularly privatization. Social safety net programs have generally not been a priority for the Czech Government, except in the restructuring of health services. U.S. assistance provided to the Ministry of Health has been in a number of different technical subjects, including exposure to the U.S. system of health insurance reimbursement based on diagnostic groups, quality assurance and actuarial assistance. To support transformation in the health sector as requested by the Minister of Finance,

the United States has provided advice on developing a not-for-profit sector, without advocating one particular approach.

As health care institutions face decentralization and privatization, it is likely that their personnel will find it difficult to meet the strategic and management challenges of this transition. Furthermore, they will need to reconcile diminishing central budgetary support alternative financing mechanisms. Health care is considered a right (and not a privilege) in the Czech Republic, but co-payment arrangements will need to pass an important share of costs to the patients. This may reduce accessibility of health care services and possibly give rise to social and political problems.

A further complication will be the need for health care costs -- as assigned to patients -- to be limited to capacity to pay, taking into account the government's continued adherence to wage and price controls.

#### Other Donor Resource Flows.

According to the Group of 24 statistics, the United States provided about 6% of technical assistance to the Czech Republic. Other major donors are the European Investment Bank of the European Union, Austria, the Netherlands, France, and Germany.

#### CZECH REPUBLIC FY 1996 PROGRAM SUMMARY

USAID Strategic Objectives	
Economic Restructuring	\$ 3,360,000
Building Democracy	\$ 1,100,000
Social Sector Restructuring	\$ 3,000,000
Total	\$ 7,460,000

USAID Representative: James Bednar

## GEORGIA

**FY 1996 Assistance to the NIS Request . . . . . \$21,000,000**

The emergence of a stable, democratic, prosperous and independent Georgia is in the long-term interest of the United States, in part because the country is a transportation corridor for the entire Caucasus region. Through its ports and rail system, resources are transported for the three Caucasus nations: Armenia, Georgia and Azerbaijan. These transportation routes are used for humanitarian assistance for the three countries. Georgia's pipelines carry critical energy resources from Central Asia and Russia for itself and for Armenia. The cut-off of transportation through Chechnya has heightened the importance of the Georgian corridor. The United States also has fundamental humanitarian concerns in Georgia. Although Georgia's own internal civil conflicts have subsided, large populations remain displaced throughout the country, and the economic situation remains desperate.

**The Development Challenge.**

Each of the three Caucasus Republics is experiencing ethnically driven conflicts. As a result, these three countries are experiencing an influx of refugees and displaced persons, severe distortion of trade and economic activity, massive drain of public revenue, and curtailment of investment. Energy is a paramount concern for the region, and problems of pollution, embargoes, pipeline safety and inefficiency hamper regional development.

Over the past several years, Georgia's economy has been severely harmed by internal conflicts, the Abkhazian revolt and South Ossetian separatist movement, and the disruption of trading patterns caused by the break-up of the former Soviet Union. There are sharply declining output, very high and still accelerating inflation, a deteriorating fiscal situation, mounting external debt, and sharply dropping living standards. Cumulative economic decline is estimated to be about 70% for the period 1990-93, and per capita gross national product (GNP) fell to \$563 in 1993, now one of the lowest levels among countries of the New Independent States (NIS). In 1994, output continued to decline, average monthly rates of inflation were around 60%, tax revenues were below 2%, official unemployment exceeded 8% of the work force, and households had to rely on sources of income other than wages to cover their basic expenditures. In addition, the country has been plagued by widespread crime and corruption at all levels of the economic system.

Since the beginning of 1994, the country has achieved some progress toward political stability and is now directing its attention to rebuilding the economy and undertaking the necessary reforms that will bring about macroeconomic stability and the resumption of growth. The Government of Georgia has already made several hard choices, which include commitment to massive price liberalization of bread, gas and electricity, and implementation of tight fiscal policies, which have sharply curtailed currency generation, credit to the banking sector and government expenditures. Despite an inefficient national government and widespread crime and corruption, municipal governments are functioning and making some economic progress. The development challenge for the United States is to help meet the continuing, critical humanitarian needs of the population while continuing to help Georgia lay the foundation for long-term sustainable growth and economic stability. USAID will need to carefully target those areas where significant success can be achieved in the near future.

**Strategic Objectives (SOs).**

USAID is pursuing the following three strategic objectives in Georgia.

**HUMANITARIAN ASSISTANCE AND SOCIAL SECTOR RESTRUCTURING (\$12,000,000).**

**SO 1. Strengthen the capacity to manage the human dimension of the transition to democracy and a market economy, and to help sustain the neediest sectors of the population during the transition**

period (\$12,000,000).

The highest priority of the U.S. assistance program will continue to be the provision of humanitarian aid and assistance to the Georgian Government in dealing with relief efforts. As the country's economic situation stabilizes, USAID assistance will shift increasingly towards longer-term development objectives such as microenterprise, public works and management improvements. In the immediate future, given projected continuing shortages of essential foodstuffs, medicines and fuel supplies, significant economic progress will be difficult, and USAID's humanitarian contributions will continue. USAID also has contributed to international donor appeals for assistance to Georgia.

**Activities.** USAID has funded a number of NGO activities directed at food distribution, income generation, employment, food security, provision of shelter materials and clothing, health care, medicine distribution, resettlement of displaced persons, and environmental improvement. Under the Save the Children Federation umbrella grant for humanitarian assistance to the Caucasus, USAID funds nongovernmental and private voluntary organizations (PVOs) active in humanitarian relief and micro-projects. USAID supports the World Food Program and its logistical operations unit. The emergency medicines program will continue. As needed, USAID will provide critical energy resources such as heating fuel, and will distribute emergency medicines, clothing, weatherization materials, and food. The Atlanta-Tbilisi medical partnership has been introducing market-oriented solutions to hospital management and health care delivery and finance, and training health policy makers and administrators. USAID will continue to support disease surveillance and monitoring through the Centers for Disease Control and Prevention. In response to a request from the Georgian government, USAID is financing a pilot social rehabilitation investment fund which will finance small-scale community infrastructure development. USAID has also provided energy assistance; last winter electricity and heat were limited to no more than four hours per day in Tbilisi, and no electricity was available in many rural areas.

**Indicators.** The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) humanitarian assistance is appropriately targeted and reaches the beneficiary in a timely manner; (2) over the longer-term, beneficiary employment and enterprise start-ups increase; (3) improved water supply and sanitation services for 500,000 people are established; and (4) health reform legislation passed in 1996.

**Progress in 1993-1994.** USAID continued the vulnerable group feeding program, which provides agricultural commodities to infants, pregnant women, pensioners and families displaced by ethnic strife. Approximately 15 private voluntary organizations and nongovernmental organizations received financial support for relief and humanitarian assistance efforts in Georgia. Some 35,000 patients received critical medicines. Water supply and sanitation projects underway will benefit approximately 500,000 people, 25% of whom are internally displaced persons. This population now receives a safe water supply daily rather than only once a week. Over 37,000 internally displaced persons situated in remote regions received food assistance. Through USAID, 100,000 metric tons of wheat were distributed on an emergency basis to avert critical bread shortages, and 41,000 metric tons of heating fuel were provided to the Tbilisi power plant.

**Donor Coordination.** The United States has been a catalyst for obtaining support from the donor community to assist Georgia. Through the combined effort of the United States, the European Union and other international organizations such as the International Organization for Migration (IOM), the United Nations Department of Humanitarian Affairs (UNDHA), the International Committee of the Red Cross (ICRC), the United Nations High Commission on Refugees (UNHCR), and the World Food Program (WFP), humanitarian assistance has continuously flowed to Georgia. One important result of international organization efforts has been the support and maintenance of the Georgia railroad system, a critical transportation link, through the Caucasus Logistical Assistance Unit operated by the World Food Program. USAID assistance is paving the way for World Bank loans for health reform. Close coordination between the Atlanta medical partnership and World Bank activities support health reform implementation. USAID has played a predominant role in establishing the Interagency Immunization

Coordinating Committee (IICC) which is the framework for coordination of donor support in immunization delivery and disease control activities in the NIS region. USAID is discussing with the multilateral development banks the possibility of establishing a more substantial and longer-term social rehabilitation investment fund to follow up on the USAID-financed pilot fund.

Constraints. Due to the conflict in Chechnya and other internal conflicts resulting in additional refugees arriving in Georgia, it is difficult to undertake long-range planning in dealing with the refugee and displaced person situation. Also, the cease-fire in Abkhazia is tenuous at best.

#### **ECONOMIC RESTRUCTURING (\$7,500,000).**

**SO 2. Foster the development of a competitive market-oriented economy in which most resources are privately owned and managed (\$7,500,000).**

The transition to a market economy is an important component of U.S. assistance to Georgia. USAID technical assistance provides sound macroeconomic advice, paves the way for small-scale business development and helps meet the need for critical improvements in the energy sector. In addition, various USAID training programs enhance skills development so individuals can function in a market economy.

Activities. USAID is funding long-term advisors to work with the Deputy Prime Minister, the Ministers of Finance and Economy, and with individuals in a new economic policy center in key reform areas such as currency stabilization, foreign exchange operations, and fiscal management. Broadened USAID technical assistance for economic restructuring activities includes a long-term business development advisor to provide training and consultative services. USAID will continue to work with the Georgian Ministry of Energy to improve the availability and distribution of energy resources throughout the country. In response to a Georgian government request, USAID will assist in preparing for a \$25 million loan to the energy sector, including components to rehabilitate existing facilities and reform the policy and regulatory environment. To increase heat and electricity available to the Georgian public during the 1994-95 winter, USAID is funding the purchase of \$2.7 million of urgently needed spare parts and materials for the repair and maintenance of district heating, thermal power, and the Batumi port and refinery. Technical assistance and advisory services in the agriculture and agribusiness sector are being supported through Tri-Valley Growers and the Farmer-to-farmer program.

Indicators. The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) new tax code in place by December 1996; (2) budget law in effect by December 1995; (3) central and commercial banking laws established by December 1995; (4) power plant generation efficiency improved 10% at Tbilisi Thermal Power Plant by late 1995; and (5) productivity, sales and employment increased at 15 firms by December 1995.

Progress in 1993-1994. A senior USAID macroeconomic advisor to the Deputy Prime Minister for Economic Affairs helped prepare the Georgian government for their participation in International Monetary Fund (IMF) and World Bank initiatives. USAID is providing urgently needed commodities for hydro and thermal power plants and has worked with the European Bank for Reconstruction and Development (EBRD) to prepare a large energy loan. USAID-funded commodities delivered to the Tbilisi thermal power plant resulted in the generation of an additional 70 mega watts of power. USAID-funded training in business management is providing the skills necessary to start new businesses, especially in the service sector.

Donor Coordination. The International Monetary Fund (IMF), World Bank, and EBRD have approved and initiated several key loans in the economic sector, including an IMF Systemic Transformation Facility. USAID, with a macro-economic advisor on the ground and training programs underway, played a key role in facilitating the development and negotiation of these loans. The World Bank has just begun an institution building project for Georgia which will foster financial sector reforms, design

a strategy for restructuring Georgia's economic management agencies, and accelerate the implementation of privatization and enterprise reform. USAID funding in the energy sector is intended to attract and facilitate multilateral bank loans and other donor contributions.

Constraints. National instability is a major constraint to implementing reforms that would facilitate economic growth and the development of a viable, private sector.

#### **BUILDING DEMOCRACY (\$1,500,000).**

**SO 3. Support the transition to transparent and accountable governance and the empowerment of citizens through democratic political processes (\$1,500,000).**

Georgia is one of the few countries that still operate under the old system of a chairman, as the head of state, and a parliament equivalent to a supreme council. To the people of Georgia, the principles of democracy and the transparent operation of its institutions are foreign and often incomprehensible. USAID has just begun to assist the Government of Georgia with judicial and legal reform, democratic governance, and the development of an independent media.

Activities. USAID will support the activities of the National Democratic Institute, Congressional Human Rights Foundation, Eurasia Foundation and the Institute for Soviet-American Relations in Tbilisi. Through the exchanges and training program, training opportunities will be offered in nongovernmental organization (NGO) management, independent media development, parliamentary process and rule of law. USAID is planning to provide assistance to improve the legal system and codification of laws. Technical assistance also will be provided to independent radio and other media.

Indicators. The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) civic groups and political party workers participate in 1995 election; and (2) at least one independent, financially viable television station is established and broadcasting by the end of 1995.

Progress in 1993-1994. The National Democratic Institute established its office in Tbilisi and conducted the first of a series of workshops on political party development and strengthening local and regional democratic institutions and processes. The Congressional Human Rights Foundation initiated a plan to establish an internet linkage in Georgia. The Eurasia Foundation just recently opened an office and has begun in-country operations. As part of the NGO strengthening program, the Institute for Soviet-American Relations (ISAR) has begun a small grants program to help indigenous NGOs raise awareness of local environmental concerns and improve their management practices. By the end of 1994, 21 grants had been awarded to NGOs for 25 environmental projects, many outside of Tbilisi. ISAR also has created a regional environmental library, which now contains 350 documents. Usage of the library has reached an average of 25 persons per day. Through the exchanges and training program, training has been provided to media representatives, parliamentarians, and NGO leaders.

Donor Coordination. USAID is coordinating with the European Union (EU) and the German Government, both of which have provided assistance to strengthen the Ministry of Justice.

Constraints. An unstable central government and separatist movements are the major constraints to democratic development.

#### **Other Donor Resource Flows.**

Statistics on donor resource flows in Georgia are not available from the Group of 24 or the Development Assistance Committee of the Organization for Economic Cooperation and Development.

**GEORGIA  
FY 1996 PROGRAM SUMMARY**

USAID Strategic Objectives	
Market Economy Transition	\$ 7,500,000
Building Democracy	\$ 1,500,000
Humanitarian/Social Sector Restructuring	\$ 12,000,000
Total	\$ 21,000,000

USAID Regional Representative: Fred Winch

## HUNGARY

FY 1996 Assistance to Central and Eastern Europe Request: . . . . . \$27,400,000

Since 1990, Hungary has made great strides in transforming itself into a democratic, open market society. Hungary has excellent relations with the United States, and the Hungarian Government has been an enthusiastic participant in international fora, including the Organization for Security and Cooperation in Europe. A major focus of Hungarian foreign policy has been on integration into North Atlantic economic and security institutions. In 1994, against the backdrop of growing economic hardship, a high voter turn-out returned the Socialist Party to power; however, foreign and domestic policies are not expected to change dramatically as a result of these elections.

#### The Development Challenge.

Despite strong government commitment to economic restructuring, major privatization accomplishments, and unprecedented levels of foreign private investment (over \$7 billion, of which U.S. investors account for about 40%), the transition from a centrally planned to a free-market economy is proving more difficult than originally anticipated. Unemployment and inflation persist at high levels, entailing costly social welfare programs, creating alarming levels of indebtedness, and eroding the value of domestic earnings and savings. World Bank and other locally based donor agency observers confirm that the gap between rich and poor is widening, with an increasing number of Hungarians experiencing declining living standards. It is estimated that one-quarter of the population is currently living in poverty (up from 8% in 1989), including large numbers of children, dependent mothers, and pensioners.

There are encouraging signs of revitalized industrial and agricultural production, but Hungarian producers are finding it difficult to compete against more experienced and aggressive exporters in the global marketplace. Gross domestic product (GDP) growth was flat in 1993 and only one to two percent in 1994. Hungary's adverse balance of trade with its most important European Union trading partners continues to worsen. Hundreds of factories, farm cooperatives, and businesses have been forced into bankruptcy, resulting in high levels of unemployment. This, in turn, imposes a major burden on the social welfare budget (nearly 60% of the national budget), at a time when Hungary can least afford it. The first post-communist government inherited a large foreign debt burden, and Hungary remains one of Europe's most heavily indebted countries on a per capita basis. Much of this borrowing is being used to finance debt servicing and welfare outlays, rather than invested in new plants or otherwise used to enhance the country's productive capacity and international competitiveness. Most of Hungary's domestic savings are being diverted to government borrowing, leaving small entrepreneurs with only limited access to desperately needed capital.

#### Strategic Objectives (SOs).

The goal of U.S. policy is to help Hungary complete its difficult economic and political transformation by promoting establishment of a free market economy, private ownership, democratic institutions, and Hungary's integration into Western economic and security institutions.

#### ECONOMIC RESTRUCTURING (\$15,450,000).

SO 1. Foster the emergence of a competitive, market-oriented economy in which the majority of economic resources is privately owned and managed (\$15,450,000).

Hungary has taken fundamental steps in establishing a private sector-led market economy. A sound legal and regulatory framework is broadly in place, which establishes international corporate accounting standards and laws on bankruptcy and liquidations. Important institutional weaknesses exist, however, in the governmental organizations responsible for administering this body of law and regulation.

Foreign capital is encouraged by a liberal foreign investment regime and currently exceeds \$7 billion. The economic transition process has witnessed a strong growth in new ventures, and there are over 17,000 joint ventures in operation. Small enterprises are playing an increasingly important role and now account for nearly one-third of Hungary's GDP. The Government has nearly completed liberalization of product, service, and capital markets, as well as deregulation of economic activities. Most consumer and producer price controls have been removed, with the exception of a few basic commodities and utilities. Hungary has reduced tariffs and import restrictions significantly, and has shifted the bulk of its trade to European Union members. Of the 2,000 state-owned enterprises existing in 1990, about 600 have been privatized and continue to operate, while some 400 have been liquidated through the sale of assets. Increasing attention is being directed to at least partial if not full privatization of those large enterprises remaining on the rolls of the State Asset Holding Company.

Activities. Economic restructuring programs account for approximately 75% of USAID program funding, primarily short and long-term technical advisory services to support privatization and financial sector reform. Financing of the Hungarian-American Enterprise Fund (HAEF), whose grant authorization amount totals \$70 million, constitutes the single largest USAID-funded activity.

Examples of program activities include the following: USAID-funded Department of Treasury advisors form an important component of U.S. government support. They have provided advice on credit policies, lending analysis and risk management to two major Hungarian banks; three advisors have worked consecutively at the Ministry of Finance on issues relating to budget planning and bank reform. This assistance is being supplemented substantially by bank policy and privatization contract consultants and by volunteer bank reform experts from a USAID-funded grantee.

Over the past four years, USAID privatization assistance has been directed principally to the Hungarian State Property Agency and State Holding Company. USAID-funded investment bankers helped the State Property Agency to market and sell 600 state-owned companies, while transaction advisors helped to write tenders, evaluate bids, and negotiate deals. Under a separate project, USAID contractors have helped the State Property Agency to adopt new methodologies to finance transactions. USAID is the only donor providing technical assistance to the State Holding Company, where such assistance is helping the Government to restructure financially some 30 to 40 companies, in order to make them viable and salable as ongoing businesses.

USAID funding also supports the Peace Corps' European business development program, which trains entrepreneurs and local private sector support institutions to promote small businesses in rural areas. Other grantees include the MBA Enterprise Corps, whose graduates provided business advisory services to Hungarian firms during 12 to 18-month assignments.

USAID continues to finance the Department of Commerce's Eastern European business Information center, which compiles and distributes market information to the American business community. The Center responds to nearly 700 business inquiries a week, helping to match U.S. and Hungarian business resources and to promote partnerships.

Imparting business skills to the Hungarian agricultural community is being accomplished in a series of USAID grants to U.S. agribusiness institutions, including Volunteers in Overseas Cooperative Assistance and the American Cooperative Enterprise Center. These training activities -- many of them "hands-on" -- have exposed Hungarian farmers to new production and marketing techniques, while promoting continuing business relationships and demand for exports of U.S. agribusiness know-how and commodities.

Financial sector reform is likely to remain a top government priority. It is anticipated that USAID assistance will consequently extend further assistance to the Ministry of Finance's bank privatization secretariat and other regulatory agencies to strengthen supervision, transformation, and eventual privatization of Hungarian banks. USAID is providing capital and technical assistance to restructure

the housing finance sector by introducing sound, viable lending practices to Hungarian banks and reducing Government of Hungary (GOH) outlays to support housing. Privatization of remaining state-owned enterprises also will be of continuing importance. U.S. assistance will focus on improving and making more transparent the process, while continuing to develop innovative financial approaches. Post-privatization assistance to selected firms, particularly those privatized through employee stock ownership plans, will be initiated. Recognizing the importance of strengthening nascent small businesses as a crucial element of economic restructuring, U.S. assistance will seek to strengthen Hungarian institutions seeking to assist small businesses as well as assist in developing pilot credit guarantee and related financial programs.

**Indicators.** The following is a partial list of provisional indicators measuring progress toward this strategic objective, all of which should be attained by mid-1996: (1) privatization of at least two strategic enterprises controlled by the State Holding Company before July 31, 1995 and a further two strategic enterprise by December 31, 1995; (2) energy regulatory framework in place with clear rate-setting responsibilities; (3) GDP share of production from the private sector increases from 55% to 60%; (4) bank's capital adequacy ratio does not degrade significantly from the current 8%; (5) one large bank privatized; and (6) commercial bank lending to private sector increases from 5% of total lending to 15%.

**Progress in 1993-1994.** While Hungary's macroeconomic environment is relatively stable, economic aggregates fall far short of attaining European Union criteria. Inflation and interest rates remain at levels above 20%; the budget deficit is about 8% of GDP; and foreign indebtedness stands at about 75% of GDP, among the highest in Europe. While official figures for unemployment indicate some improvement, such figures do not take into account the considerable numbers of chronically unemployed whose entitlements have been exhausted. Hungary remains in serious balance-of-payments deficit with its major trading partners, and remains dependent on foreign suppliers for one-half of its (reduced) energy needs. The private sector is estimated to account for 55% of GDP, but no reliable figures exist for the informal component, which is thought to be very substantial. The Hungarian forint is fully convertible in current account. Revenues from taxation in 1993-1994 were reported lower than anticipated, suggesting that tax evasion may be on the increase and that the tax burden may be borne even more disproportionately by salaried, lower-income Hungarians.

In the case of privatization and financial sector reform, USAID assistance has played a significant lead role in supporting Hungarian Government efforts -- so much so that USAID is considered by the government and other donor agencies as the most important and influential donor. U.S. assistance has been effective because it has been, for the most part, timely and innovative in responding to specific country needs. Assignment of skilled USAID funded advisors to key government agencies helped develop the capacity to design and manage the privatization process. Understanding client needs and the Hungarian business environment, USAID consultants helped Hungarian program designers to: initiate highly successful self-privatization and compensation notes programs; auction off more than 10,000 small retail operations (obtaining some \$2 billion in proceeds); and sell or liquidate some 600 enterprises. The evaluation of the USAID privatization program for Hungary concluded that approximately 85% of such assistance was successful. Despite the Hungarian government's at times cautious approach to financial sector reform, U.S. Government assistance has played a key role in maintaining forward momentum. USAID-funded U.S. Treasury advisors are major players in this effort, and their advocacy of the need to expedite bank privatization has been instrumental in defining the initial government steps to establish a bank privatization secretariat within the Ministry of Finance. Bank training in housing finance is supporting overall efforts to reform the banking industry and will link housing finance to capital markets.

Other successes in economic restructuring include the private enterprise development activities of the Hungarian-American Enterprise Fund, which has received some \$70 million in U.S. funding to engage in lending and equity participation, as well as to provide technical assistance and training for Hungarian entrepreneurs. According to Fund estimates, its investments have generated over 6,000 jobs. The

Fund's micro enterprise lending program, while modest in size, may provide the model for other bank lending programs. As of October 1994, the fund had disbursed \$42 million for equity investment in Hungarian businesses, provided \$5 million in small loans and \$500,000 in micro-loans, and provided some \$5.7 million in technical assistance to Hungarian entrepreneurs. Another USAID grantee, the Center for International Private Enterprise, was the only non-Hungarian institution invited to participate in the Hungarian Government's 1994 conference on small business development. USAID has also helped to improve energy efficiency through technical and training support of both government officials and private energy service companies.

Donor Coordination. Through these U.S.-funded advisors and other staff and consultants, the U.S. Government plays an important liaison role between the Hungarian Government and other donors active in economic restructuring, particularly the World Bank (IBRD). Although Hungary and the IBRD have not yet reached agreement on a new enterprise and financial structural adjustment loan, U.S. Government advisors have played a critical role in maintaining forward momentum on this important program.

Constraints. Hungary faces serious obstacles in establishing a base for long-term, self-sustainable growth. These include a structural debt problem which crowds out lending to the private sector, slow financial sector reform, and continued losses by state-owned enterprises (including banks) and many weak private firms (denying banks a solid client base for growth). Other problems include agricultural land tenancy issues. Their importance is that they compound each other, creating a vicious circle.

With the transition to a free market system exacting a heavy toll on a substantial percentage of the population, the Hungarian electorate voted back into power in 1994 the same party which relinquished office to a freely-elected non-communist coalition just four years earlier. While initial indications were that the new Socialist-Free Democrat coalition government was firmly committed to economic restructuring and financial sector reform, there has developed some concern as to whether deeds will accompany renewed statements of government commitment to these goals. Internal stresses within the coalition may develop if conditions worsen for the population at large; and there is no assurance that the new government will be able to maintain the pace and intensity of reforms if, for example, the economy takes a sharp downturn and political pressures argue for more protective measures.

#### **BUILDING DEMOCRACY (\$3,100,000).**

**SO 2. Support the transition to transparent and accountable government and the empowerment of citizens through democratic political processes (\$3,100,000).**

Many of Hungary's democratic institutions are in place and functioning. After nearly 45 years of communist governance, however, some of the new institutions are not fully formed and remain fragile. Hungary has a well functioning, multi-party democracy. Human rights and civil liberties are defined in the Hungarian Constitution and are further elaborated in a recent law on ethnic and minority rights. The right to a fair trial is provided by law and respected in practice. Local governments -- over 3,000 in number -- have broad responsibilities, many of them new and untested. While Hungarians have access to a free press, the central government continues to control the budgets of national television and radio. Many Hungarians are discouraged by the steady erosion of their living standards. Political apathy is a reality which is likely to grow, unless the population begins to feel a deeper sense of involvement and the need for participation in the political process. Thoughtful Hungarian observers note that economic restructuring and democratic institutional development must move in tandem, if Hungary is to transform its system successfully.

Activities. Much of the USAID assistance under this heading has been used to strengthen parliament, local government, the judiciary, and the election process through grants for training, travel, communications equipment and reference materials. Many of these activities are conducted in close collaboration with the U.S. Information Agency (USIA), which administers a number of U.S.-funded

programs in support of civic organizations, educational reform, media infrastructure support, books for democracy, rule of law, and English-language instruction. U.S. funds also underwrite the Fulbright Program for Hungary and the International Visitors Program.

U.S. Government assistance to parliament and to support the election process have been effective and are being phased out with emphasis shifting to greater support to strengthen the technical skills of local government in subjects such as finance, housing, environment, and social services. In support of this effort, national level responsibilities and degree of interaction with local governments will be clarified. Citizens' understanding of the democratic process and improved respect for human rights will continue to be encouraged through educational reform and support to indigenous voluntary organizations. Support for free and independent media continues to be needed, and assistance will be provided to stimulate national media legislation as well as to provide training and equipment for new broadcasters.

Indicators. The following is a partial list of provisional indicators measuring progress toward this SO, which should be attained by mid-1996: (1) increased availability of fact-based reporting by broadcast media free from government control; (2) number of volunteers and members of NGOs working to increase public participation in political life increases by 10%; and (3) private sector financial support for five target NGOs increases by 10%.

Progress in 1993-1994. Assistance to parliament, which included establishment of a Center for Parliamentary Management, donations of computers and reference books, and training of parliamentarians, was evaluated in 1994 and found to have been timely, well-targeted and well-received. Efforts to increase citizen understanding and participation in the democratic process have been made through curriculum development, teacher exchanges, and book translations at secondary and university levels. In addition, modest support was given to Hungarian organizations active in environmental protection, community development, and volunteer development. These activities are important and deserve to be expanded. A grant through USIA to the International Media Fund enabled the American Journalism Center to continue its operations, training radio and television journalism students.

Innovative use of local USAID funds to produce several voter education programs, on the eve of the May 1994 elections, enabled Hungarian television viewers to obtain a more objective presentation of election issues. This received favorable comment in the Hungarian press and may have contributed to the high election turn-out.

Donor Coordination. Democratic institution-building was not regarded by the previous democratically elected government as a matter of high priority. Other donors, including the British Know How Fund, provide discrete forms of assistance, but this is usually in response to ad hoc requests. The Know-How Fund, for example, has programs in local government, public administration, civil service training, management, and independent media. The European Union is working on human resource management and information systems within the central government and local government organization. The subject has been regarded as highly sensitive by the Hungarian Government, and there has been little opportunity, apart from sharing information, for interested donors to consider joint programs.

Constraints. A December 1994, USIA-commissioned public opinion survey concluded that, while the spring elections may have bolstered public confidence in the election process, 40% of Hungarians polled expressed willingness to trade political freedoms for the economic security enjoyed under communism. Two-thirds of those polled regarded the present democratic system as much or even more corrupt than the former system. Most regarded restoration of order and stability as the most important role of government, but only 25% thought that this was being assured in Hungary. Public reaction to continuing hardship during the restructuring process undoubtedly accounts for much of this nostalgia for earlier times and strengthens the previously cited observation that democratic institution-building

and economic restructuring must proceed in tandem, as they rely on each other for successful attainment. The human cost of industrial and trade transformation cannot be discounted. The risk is that reform weariness will create a political consensus to slow the reform process.

#### **SOCIAL SECTOR RESTRUCTURING (\$8,850,000).**

**SO 3. Strengthen the capacity to manage the human dimension of the transition to democracy and a market economy, and help sustain the neediest groups of the population during the transition period (\$8,850,000).**

The economic transformation continues to cause severe dislocations, adversely affecting a large part of the Hungarian population. The reform process has proven to be far more difficult than originally envisaged. Much of the optimism which spurred the drive to convert to a market economy in 1989 has dissipated during four subsequent years of recession and unemployment. The social services infrastructure inherited from the communist era has proven inadequate to deal with transition strains. Poverty has risen sharply since 1989, while shrinking tax revenues are forcing cutbacks in existing programs. World Bank and other observers note a pronounced and widening gap between rich and poor, with one-quarter of the population currently living in poverty. In many respects, the return to power of the Socialists (i.e., reform communists) in the May 1994 elections is as much an expression of middle-class as lower-income earners' discontent with declining living standards and insecurity about recovery prospects.

Hungarian Government expenditures approach 60% of GDP (higher than any other European country except Sweden), of which over half relate to social programs; but the economic situation makes such outlays unaffordable. The interim response has been to transfer responsibility for many social services to the local governments, who lack both financial resources and requisite skills. Recent World Bank research indicates that social sector outlays have traditionally been allocated largely across-the-board, without being aimed exclusively or even predominantly at the poor. The transition to a market economy has led to greater income disparities, implying the need to restrict social programs to those who are losing ground. Hungary needs to move from a social program based on universally available benefits to one that is means-tested.

Activities. The U.S. assistance program for Hungary has devoted a significant share of its budget to social sector restructuring, focusing on unemployment, housing, and health-care financing. Assistance in these areas offers the opportunity to work more closely with local governments and NGOs. Assistance in these fields has been rather distinct and, in some aspects, highly innovative. Examples of USAID intervention include: a one-time \$10 million grant to help the Government subsidize winter heating costs for elderly pensioners during the relaxation of energy price controls; collaboration, through the U.S. Department of Labor, in establishing a model labor counselling and outplacement center for Baranya County; training in labor statistics through the Bureau of Labor Statistics; and technical assistance to Szolnok Municipality in introducing means-tested housing subsidies for poor families. New initiatives in housing can build on three years of experience in Hungary and further U.S. assistance will supplement the USAID housing loan guaranty program with technical assistance to national and local governments in support of housing sector reform. Perhaps the most visible undertaking by USAID has been its continuing support of pediatric oncology outreach activities in Budapest on behalf of child victims of cancer.

Indicators. The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) Central government expenditure on social services decreases from 34% of GDP to 32% by the end of 1996; (2) in target areas, local government expenditures on housing subsidies reduced by 5% in real terms by the end of 1996; (3) placement rates for newly unemployed workers in firms in counties where interventions are operating exceed national average by 10% by mid-1996; (4) compared with the national average, the quality of health care services in target areas is improved by mid-1996, based on consumer questionnaires, on decreases in mortality rates, and on reduced

recovery times; and (5) number of volunteers and members of NGOs working to provide social services complementary to government services increases by 10% by mid-1996.

Progress in 1993-1994. Assistance to the Baranya labor center was well received by the Ministry of Labor. An independent audit of the one-time \$10 million energy grant confirmed that the funds had reached the intended beneficiaries. Participants in the U.S. Department of Labor statistical training project reported that their skills had facilitated implementation of Hungary's much needed household survey, to obtain vital labor market data. Introduction of highly innovative means-testing assistance to Szolnok, to ease the impact of rising rents on poor families, has been reported to be highly successful and may prove suitable for replication. USAID assistance through the pediatric oncology project has helped to reduce the child mortality rate from cancer by 80% and continues to receive very favorable attention in the press.

Unemployment, a major problem for Hungary, has received attention from other donors. Because of the immensity of the problem, however, continued U.S. assistance is fully justified but must be carefully focused to avoid duplication and, at the same time, to introduce new approaches which other donors may wish to support. For this reason, U.S. assistance will focus initially on mass layoffs at the individual firm level, resulting from privatization and firm restructuring. As a first venture, USAID and U.S. Department of Labor initiated a rapid response project in 1994 which will assist municipalities in identifying impending redundancies, in counselling displaced employees, and in trying to match their skills with new sources of venture capital attracted to the area.

Donor-Coordination. USAID and other locally represented donors consult regularly, both in periodic meetings and on an ad hoc basis. Some of the best research on social sector problems is being conducted under World Bank and International Labor Organization auspices, drawing upon the abundant skills of Hungarian universities and research institutes. The joint USAID and Department of Labor rapid response project best demonstrates how such coordination can help to join innovative approaches with donor resources. This project was designed in full consultation with representatives of the World Bank and European Bank for Reconstruction and Development. The project constitutes a pilot scheme in unemployment mitigation which may attract considerable non-U.S. funding, both through possible replication and through attracting joint venture capital to places of potentially high unemployment. The World Bank has been particularly active in assisting the restructuring of the health sector. USAID is the only donor involved in the housing sector and has the opportunity to make a significant impact.

Constraints. Obstacles to social sector restructuring are integrally linked to broader macro economic challenges. Many of the problems facing Hungary stem from trade dislocation and inability to compete in the new global market setting. Scarcely five years ago Hungary enjoyed a preferential trading position within the communist bloc, which assured ready markets for its industrial and agricultural products and cheap sources of energy. High expectations of rapid restructuring and adaptation to the global market were frustrated not only by technical and managerial shortcomings but also by U.S. and West European protectionism against Hungarian agriculture and an unforeseen and prolonged global economic recession. The latter are complex problems, entailing highly sensitive inter- and intra-governmental issues.

#### **Other Donor Resource Flows.**

According to the Group of 24 statistics, the United States provided about 10% of technical assistance to Hungary. Other major donors are: the World Bank, European Bank for Reconstruction and Development, European Union/PHARE, Italy, United Kingdom, Canada, and Germany.

**FY ,1996 PROGRAM SUMMARY  
HUNGARY**

USAID Strategic Objectives	
Economic Restructuring	\$ 15,450,000
Building Democracy	\$ 3,100,000
Social Sector Restructuring	\$ 8,850,000
Total	\$ 27,400,000

USAID Representative: David L. Cowles

## IRELAND

FY 1996 Economic Support Fund Request: ..... \$29,600,000

The United States provides economic assistance to Ireland through the International Fund for Ireland (the Fund). The Fund's mission is to support and promote social reconciliation through economic development in Ireland and Northern Ireland, with priority given to new investments that create jobs and reconstruct disadvantaged areas. The United States has granted approximately \$228,000,000 to the Fund since its inception in 1986.

Recent developments in the peace process in Ireland provide an improved environment for achieving the Fund's goals. On August 31, 1994, the Irish Republican Army (IRA) declared an end to 25 years of armed struggle. In the wake of the cease-fire, the British and Irish governments have taken several steps to advance the peace process; and the British government has begun to engage Sinn Fein, the political arm of the IRA, in roundtable discussions to continue this effort. The United States aims to help break the cause of the cycle of conflict and despair by helping to engender trust among parties and to create the perception of a level playing field among all groups. These conditions are critical for trade, investment and job creation. It is essential to bring the most disadvantaged communities into the mainstream of economic and social development. The Fund has been useful in encouraging communities to take ownership of projects which can benefit their areas. The jobs and social stability which result from U.S. contribution to the Fund are a tangible expression of the United States policy of encouraging peace and reconciliation through economic progress in Northern Ireland.

#### The Development Challenge.

A key issue in the political conflict in and over Northern Ireland is equal opportunity for Protestants and Catholics. All major social and economic indicators show that Catholics in Northern Ireland are more disadvantaged than Protestants. The most persistent area of inequality has been employment, where statistics show the rate of unemployment among Catholic males twice that of Protestant males. Long-term unemployment is particularly acute, with 55% of the unemployed being jobless for a year or more. Inability to travel freely throughout the security zones has affected employment opportunities for both Catholics and Protestants. Nationalists have been reluctant to seek employment in occupations in the security zones. The urban decay, unemployment, and lack of trust in these areas will take years to rectify. However, as the new political dialogue widens to bring to the table a wider range of actors, many of these areas of concern can begin to be addressed.

#### Strategic Objectives (SOs).

##### SO 1. Promoting peace in Northern Ireland and the Republic of Ireland (\$29,600,000).

The Fund was created in 1986 to promote and support grass-roots efforts to reconcile the different communities in Northern Ireland and the bordering counties in the Republic of Ireland. The Fund is multilateral and non-partisan. It views itself as a temporary facility to catalyze and support economic, political and social initiatives aimed at permanent reconciliation among the Catholic and Protestant communities. It disburses funds in accordance with the economic and social policies and priorities of both the Irish and United Kingdom governments, and ensures impartiality to regions, communities and religions with regard to its board membership, administrative employment, and disbursements. Funding supports employment generation and investment promotion, with special emphasis on projects promoting communal reconciliation.

Activities. The Fund's principal efforts are directed at reducing the economic hardships of unemployment and community infrastructural decay in order to reduce the economic differences that exacerbate social disruption along religious lines. The Fund accomplishes these objectives by

stimulating private investment and encouraging voluntary efforts with special emphasis on projects promoting communal reconciliation.

The fund will assist a White House Conference on Trade and Investment to be held in May 1995. The conference will show U.S. companies that the peace process is dramatically improving business opportunities on the island of Ireland and particularly in Northern Ireland and the border counties. The conference is intended to encourage support for U.S. investment which will enhance employment possibilities throughout the area.

Entrepreneurs in Northern Ireland have little access to financing to start or expand their small businesses. To more effectively meet the financing needs of micro and small enterprise, the Fund will finance an exchange of technical knowledge with organizations such as Shorebank and Accion International, which have designed cost-effective and sophisticated enterprise lending programs.

A special program was begun in 1990 to focus on disadvantaged rural areas and towns in Northern Ireland. It is estimated that some 29,000 jobs will be created directly and indirectly through all Fund projects approved to date. Of the 20,322 jobs to be created directly, nearly 14,000 are in the areas of highest unemployment. Of the 8,440 jobs to be created indirectly, over 5,000 are in the most disadvantaged areas. In addition, it is estimated that the projects supported by the Fund will generate over 25,000 construction jobs.

A new initiative launched since the peace process began is support of a University of Ulster campus at Springvale in Northwest Belfast. The \$7.5 million contribution will be used to develop campus facilities which will have the most direct regenerative impact on the wider community area.

Indicators. With U.S and other donor contributions expected through 1996, the total number of jobs created by the Fund will approach 41,200.

Progress Since 1986. Working through sectoral program teams, the Fund has approved over 3,000 projects and disbursed \$265 million to these projects. Other donor contributions also have been committed to projects in the areas of urban development, agriculture, technology, tourism and community development.

#### Other Donor Resource Flows.

The Fund's activities are financed through international contributions from the United States, the European Union, Canada, New Zealand and Australia. Each of the donors sends a non-voting observer to all Board meetings. In 1993, the United States was the largest donor to the Fund, providing 67% of total donor funding. Appropriately, the European Union now is overtaking the United States as the largest annual donor to the Fund.

#### IRELAND FY 1996 PROGRAM SUMMARY

USAID Strategic Objectives	
Promoting Peace	\$ 29,600,000
Total	\$ 29,600,000

Director, Office of European County Affairs: Peter Orr

## KAZAKHSTAN

FY 1996 Assistance to The NIS Request: . . . . . \$ 62,000,000

Kazakhstan, the world's largest land-locked country, is the second most populous of the five former Soviet states of Central Asia. U.S. national security interests are served by strong ties with Kazakhstan, which is one of only four of the newly independent republics in the former Soviet Union to inherit nuclear weapons. It was also the test site for Soviet nuclear experiments and the launching site for the Soviet space program. An early leader in the move toward democracy and a market economy, Kazakhstan actively seeks Western trade, investment and economic support. There is potential for considerable commercial benefit for the United States from trade and investment in Kazakhstan, especially in the area of oil and natural gas production.

#### The Development Challenge.

Kazakhstan is the largest recipient of U.S. assistance in Central Asia. The USAID Regional Mission for Central Asia is located in Almaty, the capital of Kazakhstan. The central development challenge is to help support and shape the country's transition to a democratic, market-based society that is an open, active and responsible participant in the wider community of nations. While sharing the same goals as other USAID programs in the New Independent States (NIS), specific interventions have been designed and implemented to accommodate Kazakhstan's particular circumstances.

#### Strategic Objectives (SOs).

USAID is pursuing the following strategic objectives in Kazakhstan.

#### ECONOMIC RESTRUCTURING (\$46,000,000).

SO 1. Foster the emergence of a competitive, market-oriented economy in which the majority of economic resources are privately owned and managed (\$46,000,000).

Further macroeconomic policy reform is needed to strengthen and sustain Kazakhstan's emerging market economy. Key areas include fiscal policy, price stability, resource mobilization and budgeting. A weak administrative capacity often inhibits effective implementation, even once policy changes have been announced.

The majority of assets remains in state hands. Mass privatization programs have been slowed by bureaucratic inertia, lack of transparency, and changing regulations on key issues such as share tradeability and the exclusion of outside investors. Recent changes in government suggest faster progress will be made in the future.

A complex, inconsistent and poorly managed legal and regulatory environment hampers both local and foreign investment. Lack of clearly articulated ownership rights and the absence of effective bankruptcy legislation have had an especially chilling effect on potential investors. Related regulatory problems stand in the way of the development of effective capital markets. Until these problems are dealt with, domestic resource mobilization will be limited, and foreign investor interest will continue to lag behind.

Activities. (A) Macroeconomic environment: USAID is assisting Kazakhstan in drafting new or revised legislation related to the tax code, central and commercial banking, accounting, external debt, and securities and the stock market. Pension reform will also be supported by USAID. In addition, assistance will be provided to the government in developing a budgetary chart of accounts, a revised annual budget planning and implementation system, and a revised intergovernmental (central-oblast) financial system. USAID will help the government establish a tracking system for external debt.

Financial sector assistance will include help in initiating new accounting standards and chart of accounts in the Central Bank, commercial banks, and public or publicly traded enterprises.

(B) Privatization and Enterprise Development: USAID assistance will focus on developing regulations and guidelines for the transparent trading of enterprise shares and on limiting the role of holding companies and monopolies. USAID also will help conduct public education campaigns to educate the population about the validity and advantages that accrue from privatization. The Central Asia Enterprise Fund will provide both loan and equity financing and related technical assistance to Kazakhstani enterprises. The Fund also will establish a small business lending program. USAID is funding a comprehensive program to develop a capital market, including creation of a new securities commission, a private sector exchange, and private sector share registries, depositories and clearing and settlement entities.

(C) Legal and regulatory framework: USAID advisors will assist in the drafting of civil and commercial codes and implementing regulations, new foreign investment legislation including mineral provisions, and new property law, contract law and bankruptcy legislation. USAID will work with Kazakhstani counterparts to draft legislation regarding energy policy and regulation. This will be followed with assistance in corporatization and private investment in energy entities.

(D) Structural reform: To support new commitment to reform, USAID will provide funds for structural reform support to enable the United States to support, on short notice, the efforts of countries embarking on programs of comprehensive economic restructuring. The USAID-funded assistance will likely take the form of commodities, commodity transport, and trade or investment credits that can be counted toward filling balance-of-payments gaps as these new reformers come to terms with the IMF or World Bank on structural adjustment loans. United States contributions to this process are critical in influencing other bilateral donors to participate and can greatly influence the commitment of NIS republics to embark on comprehensive economic reform. Kazakhstan is among the countries most likely to qualify for these funds.

Indicators. The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) the percentage of commercial banks satisfying standard capital adequacy increases from 0% in 1994 to 60% in 1995 and 80% in 1996; (2) investment in mass privatized assets as a percentage of total coupon investment increases from 25% in November 1994 to 50% by December 1995; (3) foreign investment legislation guaranteeing property and profit repatriation rights of foreign investors is in place by June 1996; (4) fifteen internationally accepted accounting standards are established and adopted by 6/30/95; and (5) between December 1994 and December 1995, 2,915 small state-owned enterprises are transferred to private ownership.

Progress in 1993-1994. Kazakhstan successfully introduced a new currency in late 1993, allowing it to independently manage its own monetary policy. Flexible exchange rate mechanisms were established during 1994. The government also made significant progress in price and trade liberalization and made credible efforts to control the deficit through short-run cash management strategies. In addition, the Central Bank increased reliance on indirect instruments of monetary control, raised rediscount rates, and tightened supervisory requirements for the commercial banking sector. USAID-sponsored technical assistance in banks and government ministries contributed to progress in these and related areas. In particular, assistance in drafting laws and regulations, and the establishment of a well attended bankers training program, provided important impetus to the economic restructuring effort.

A more coherent privatization strategy has been developed and put into place. Considerable progress is being made in the small enterprise, wholesale, retail and transport sectors, all areas where USAID is especially active. A national small-scale privatization program was launched, with active USAID assistance, in early 1994. By the end of November 1994, 426 auctions had been held, resulting in the sale of more than 2,600 entities. USAID consultants are also assisting in a coupon-based

privatization program for medium and large-scale enterprises, which will result in the sale of 2,500 additional businesses.

Efforts to improve the regulatory environment will be an area of major focus during the 1995-1996 period. Considerable preparatory work has already been undertaken. For example, USAID consultants are assisting the National Securities Commission as they develop a regulatory framework which protects investors. Similar assistance, necessary to ensure that local accounting standards are acceptable at an international level, is being provided to the Accounting Standards Board. A number of other seminars, training and technical assistance programs have also been undertaken, all aimed at improving the legal and regulatory environment for business development.

Donor Coordination. Kazakhstan was among the first of the newly independent states to have a full International Monetary Fund (IMF) program. The World Bank, Asian Development Bank, European Bank for Reconstruction and Development and other donors are all active and coordinate closely with USAID on macroeconomic and financial sector policy advice.

The World Bank, the European Union (EU), and USAID coordinate on all aspects of the privatization program. The World Bank is expected to undertake a major effort in agricultural land privatization, an area where USAID has been inactive due to budget constraints.

USAID is the only donor working on capital markets development in Kazakhstan. Work on the civil code will be coordinated with European counterparts. USAID is cooperating with the World Bank and EU/TACIS in the energy sector.

Constraints. Kazakhstan has made remarkable progress over the last three years in transforming itself into a modern economic state. Nonetheless, the legacy of rigid control from Moscow, combined with Kazakhstan's distance from international markets and ignorance of Western business practices, continues to pose problems. Given Kazakhstan's size, regional authorities have sometimes been less than responsive to national mandates on privatization. Corruption, both real and perceived, is also a problem, leading to a loss of public confidence in the privatization process. Although top levels of government appear committed to affecting wide-ranging economic reform, weak administrative capacity and conflicting interests at local levels often hamper implementation. An older generation of managers, more familiar with old-style Soviet commercial approaches, also stands in the way of change.

#### BUILDING DEMOCRACY (\$10,000,000).

SO 2. Support the transition to transparent and accountable governance and the empowerment of citizens through democratic political processes (\$10,000,000).

Support for Kazakhstan's young democratic institutions is needed in a variety of areas. The parliament has proved to be relatively open and interested in enhancing its effectiveness as a check on the executive branch. Also important is strengthening local governments' capacity to be responsive to citizens' needs and to conduct operations in an open and transparent way. A strong nongovernmental organization (NGO) sector can play an important role in articulating local needs and serving as a counterweight to strong central control. As such, it is an important element in building and sustaining a strong civil society. Consistent and effective civil and commercial laws are vital, both for an efficient market economy and to advance wider democratization goals. An independent media should be a powerful and vital avenue of information, enabling citizens to hear all sides of an issue and to make informed decisions.

Activities. To promote transparency and accountability in democratic governance, USAID will help establish a legislative information management system in parliament and a government auditing capacity. USAID will also consult with government officials on executive actions which should be

made public. To strengthen local government capacity USAID advisors will introduce systems for municipal budgeting, finance, and management in the city of Atyrau, and install computer-based planning and management systems. An accompanying training program will ensure broader replication of demonstration efforts in Atyrau. Advocacy training and small grants are being provided through USAID to local NGOs. USAID is also supporting the development of a legal and regulatory environment more conducive to NGOs. In the media area, training and technical assistance are being offered to strengthen public interest reporting and the effective use of media during elections. Support for rule of law in Kazakhstan includes workshops and training for legislators and others involved in the development of commercial and civil law; and advice in improving the administration of justice, legal procedures, and administrative management.

Indicators. The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) the number of viable political parties representing significant segments of society increases; (2) the constitutional and legal framework for the protection of media is developed by the executive and legislative branches of government by December 1995; (3) new and revised civil codes that protect individual civil and property rights are developed and adopted by the executive and legislative branches of government; (4) parliamentary procedures are adequately developed as evidenced by (a) an increased percentage of draft legislation discussed by parliament; (b) an increased proportion of legislation reflecting constituent interests; and (c) the establishment of a legislative history; and (5) by the end of 1997, approximately 200 staff from six NGOs trained in skills such as fund raising, financial management, membership drives, program development, networking and communication.

Progress in 1993-94. Despite criticisms surrounding 1994 parliamentary elections, the new parliament is demonstrating its independence and willingness to engage with the executive branch of government. USAID is supporting this through direct discussions with key parliamentary committees aimed at strengthening their drafting, oversight, audit and other capabilities. The signing of a bilateral memorandum of understanding in November 1994, giving legal status to U.S.-funded NGOs in Kazakhstan, will aid in the establishment of a stronger NGO sector in Kazakhstan, though local NGOs still face obstacles to free operation. Establishment of a civil and commercial legal framework is proceeding, with consideration of judicial reform legislation scheduled for 1995. USAID-sponsored seminars and advisors have provided input to a draft constitution, parliamentary reorganization, juvenile justice issues, a draft law on the courts, property and contract law, and a decree on permitting land to be transferred under long-term land leases. While freedom of the press is not yet fully established, a USAID-supported press club in Almaty, the first of its kind in Central Asia, has conducted seminars on freedom of the press, the role of the media in covering political events, and economic reporting.

Donor Coordination. USAID is the major donor involved in democratization issues. USAID coordinates with the Organization for Security and Cooperation in Europe (OSCE) in election-related media assistance, the Soros Foundation and other donors in NGO support activities, and the World Bank in commercial law development.

Constraints. The executive branch of government fears the inevitable scrutiny associated with a strong parliament; criticism, even constructive criticism, can fuel a tendency toward recentralization and attempts to control opposition. While some local officials welcome change, others are concerned over a loss of possible powers and positions stemming from the old appointment and patronage system. The lack of a strong democratic tradition and the basic building blocks which form the basis for a civil society also stand in the way of democratic development in Kazakhstan.

#### **SOCIAL SECTOR RESTRUCTURING (\$6,000,000).**

**SO 3. Strengthen the capacity to manage the human dimension of the transition to democracy and a market economy, and help sustain the neediest sectors of the population during the transition period (\$6,000,000).**

Improving the delivery, sustainability and quality of core social services is crucial to improved social welfare and the building of popular support for the economic and political reform process in Kazakhstan. New and creative approaches to social service delivery, including greater use of private providers, is one way to prevent further erosion of benefits.

Health is a highly visible area of the social sector, and as such commands considerable public attention. Failure to deal with the current problems in the health sector may weaken confidence in both local authority and the reform process itself. Improved legal, regulatory and financing mechanisms are needed for the health sector in order to improve and sustain the delivery of health services. The restructuring of Pharmatsia (the organization which controls pharmaceutical procurements throughout the country), combined with the privatization of retail pharmacies, should contribute to pharmaceutical security in Kazakhstan. Concurrent efforts will need to be directed toward developing rational distribution and use patterns for pharmaceuticals and vaccines. Efforts are also underway to promote the private marketing of contraceptives. Expanding the delivery of potable water and addressing environmental health issues are also critical social concerns in Kazakhstan.

A rational housing policy is a central component of a new, public welfare regime. Approximately 70% of the total housing stock is now in private hands, but providing effective maintenance to newly privatized houses and apartment blocks is proving difficult in some cases. Therefore, USAID assistance is directed to the targeting of housing subsidies and development of policies that ultimately allow for improvements in the availability and quality of housing stock.

Activities. USAID will play a major role in the reform of social maintenance programs by providing technical support for the reform of pension policy and administrative practices in Kazakhstan, and by supporting the legal and regulatory infrastructure necessary to support a two-tier pension system. Under the housing sector reform project, USAID will continue to work on developing policies to replace subsidized rent with targeted support for vulnerable renters. Training and seminars will be used to promote the development of professional standards and capabilities in the housing sector. Model activities are being introduced to demonstrate how alternative, private sector-based approaches can be developed to address key issues related to housing construction, maintenance and rehabilitation.

Health finance systems will be strengthened by examining alternative options such as insurance schemes, privatization, or continued public financing of certain services. Specific assistance is planned to help privatize Pharmatsia and all retail pharmacies. USAID work with hospital and primary care demonstration sites aims to increase the facilities' productivity and efficiency. The medical partnership with the University of Tucson is strengthening clinical nursing and management practices. The Centers for Disease Control and Prevention will provide technical assistance to the government to improve public health surveillance systems and response to disease outbreaks. Technical assistance will be provided to support sustainable childhood immunization services. Modernization of reproductive health practices is underway to reduce the high levels of maternal mortality and reduce abortion prevalence. Expansion of the commercial availability of contraceptives will contribute to sustainability of the program. USAID is supporting the World Bank's efforts to privatize industries in south Kazakhstan by assisting industries with divestiture of health facilities. Assistance will be provided to improve the legal and regulatory environment surrounding the social sector in Kazakhstan, especially with respect to private medical practice and pharmaceuticals.

A hospital partnership is being established between the Methodist Hospital of Houston and Kazakhstani partners in Semipalinsk. Assistance will focus on clinical and administrative reforms specifically related to the environmental consequences of over forty years of nuclear testing in the region. Finally, the Aral Sea initiative includes specific programs to improve water quality, access to clean drinking water, and regional management of scarce water resources in the Aral Sea region.

Indicators. The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) the housing code, including a condominium law, landlord and tenant rights and

eviction procedures, is revised and adopted; (2) legislation liberalizing land use and transfer rights is put in place by June 1996; (3) regulations that treat state and private pharmacies equally is developed and adopted; and (4) increase in the number of households with access to safe drinking water.

Progress 1993-1994. USAID technical assistance and training in reproductive health care programs, as well as other health areas, has been well received and has resulted in changes in practices and procedures. In November 1994 commercial sales of affordable, high quality contraceptives began in 90 pharmacies; this will help reduce the number of women seeking abortion and improve women's health. An intensive health financing demonstration site was initiated in 1994 in Chimkent, with a view toward demonstrating various financing modalities for health care and public sector cost saving measures. Simultaneously, training in health care finance significantly influenced the government's decision to develop health insurance legislation. Members of parliament who benefitted from the training have already approached USAID for technical advice on health insurance legislation. USAID advisors helped develop a plan for the privatization of the pharmaceutical marketing and distribution system in Kazakhstan; the plan should result in privatization of the system in 1995. USAID also initiated a pilot program in the social marketing of contraceptives in commercial outlets in three Kazakhstani oblasts. By the fall of 1995, this program will be expanded to all 19 oblasts in the country, affecting the lives and health of almost 3 million women of reproductive age. Finally, USAID provided technical assistance and training relating to the development of new types of health care financing mechanisms. These are now being tested in demonstration sites and should help to effectively privatize primary care delivery. Forty-two private group practices have begun in south Kazakhstan as a result of USAID assistance to industries in divesting health facilities.

USAID assisted the Ministry of Housing in the development of property appraisal, housing laws, and land privatization strategies, all of which should eventually transfer substantial capital assets to the populace and reduce government subsidies. USAID developed a pilot project for the privatization of management and maintenance services for approximately 1,000 apartments in Almaty. Other technical assistance programs resulted in the city of Almaty's first-ever auction of land rights in January 1995. USAID has sponsored programs for real estate developers and government officials on the basic concepts of mortgage and construction financing.

The Aral Sea program was formally launched in 1994.

Donor Coordination. USAID is a leader within the donor community on key issues related to health financing, family planning, vaccinations and disease control and housing; ongoing activities are coordinated with those of other donors. USAID has played a predominant role in establishing the Interagency Immunization Coordinating Committee (IICC) which is the framework for coordination of donor support in immunization delivery and disease control in the NIS.

Constraints. The rhetoric of the "cradle to grave" social policies of the past is difficult to overcome. Top-down, directed development approaches during Soviet rule did not engender efficient management practices across a range of social sectors. In the absence of large-scale cash transfers from Moscow, approaches from the past simply cannot be maintained or sustained. Though reforms should introduce efficiencies into the health care and housing sectors, attitudinal change will be required to ensure effectiveness.

#### **Other Donor Resource Flows.**

According to statistics from the Development Assistance Committee of the Organization for Economic Cooperation and Development, the United States provided about 55% of all official development assistance to Kazakhstan in 1993. Other major donors are the Economic Development Fund of the European Union, Japan, the United Kingdom, and the United Nations Population Fund.

**KAZAKHSTAN  
FY 1996 PROGRAM SUMMARY**

USAID Strategic Objectives	
Economic Restructuring	\$46,000,000
Building Democracy	\$10,000,000
Social Structure Restructuring	\$ 6,000,000
Total	\$62,000,000

USAID Regional Mission Director: Craig Buck

## KYRGYZ REPUBLIC

FY 1996 Assistance to the NIS Request: ..... \$ 17,000,000

The Kyrgyz Republic is unique among the five Central Asian Republics in that its President is democratically elected and non-communist, its government is relatively open and expression is generally free. It also has been the most receptive of these new states to new ideas and innovation. As a result of steady progress on democratic and economic reform, it is the second largest recipient, and largest per capita recipient, of U.S. assistance in the Central Asia region. United States interests are served by supporting the reform process in a country with such promising prospects for a successful transition.

#### The Development Challenge.

Kyrgyzstan's progress in fiscal and financial reform has been impressive in some areas. It was the first regional state to break from the Russian ruble and launch its own currency. Despite severe budget pressures, it has done relatively well in containing inflation and deficits. But this pragmatism and openness cannot hide underlying problems. The country's natural resources are limited, though there is considerable potential for hydropower development, adventure tourism and possibly certain kinds of high-value agriculture. Isolation, poor transportation networks and a highly inefficient industrial sector remain major stumbling blocks.

The development challenge is to assist the Kyrgyz Republic in staying the course on economic and political reform and in turning itself into a dynamic and integrated member of the world community. Over the short term, an adjustment to a lower living standard will have to be made as Kyrgyzstan works to restore and build trade and processing links with states of and beyond the former Soviet Union and contends with democratic and market economic reforms.

#### Strategic Objectives (SOs).

USAID is pursuing the following strategic objectives in the Kyrgyz Republic.

#### ECONOMIC RESTRUCTURING (\$12,000,000).

SO 1. Foster the emergence of a competitive, market-oriented economy in which the majority of economic resources are privately owned and managed (\$12,000,000).

Kyrgyzstan has moved aggressively on macroeconomic reform. Its new currency has been the most stable in the region, owing to improved monetary management policies and flexible exchange rate management. Despite previous high levels of industrial subsidies and poor revenue collection, it has used short-run cash management strategies to contain the deficit. The Central Bank and Government have been responsive to, and appreciative of, assistance.

Some defense-oriented enterprises, now lacking both suppliers and markets but with large numbers of workers on their rolls, remain under state control. They impose an unsustainable social, financial and management burden on a weak central government. USAID, along with other donors, is prepared to assist with their restructuring or liquidation on a case by case basis.

As in neighboring Kazakhstan, the large number of newly formed and recently privatized enterprises, and those awaiting privatization, suffer from weakness in the legal and regulatory environment. The absence of protection for basic ownership and investor rights normally embodied in civil and commercial codes, contract law, and company law contributes to an economic environment marked by endemic uncertainty. Thus, a willingness by foreign and local entrepreneurs to invest is limited. With the exception of gold mining and other limited mineral processing or trading activities, there has

been little foreign direct investment and related availability of external management skills thus far.

**Activities.** (A) Macroeconomic environment: USAID is assisting the Kyrgyz Republic in drafting new or revised legislation related to the tax code, central and commercial banking, accounting, external debt and securities and the stock market. Assistance also is being provided in developing a budgetary chart of accounts, a revised annual budget planning and implementation system, and a revised intergovernmental (central-oblast) financial system. USAID will help the government establish a tracking system for external debt. Financial sector assistance will include help in initiating new accounting standards and chart of accounts in the Central Bank, commercial banks and public or publicly traded enterprises.

(B) Privatization: Planned activities include monitoring privatization legislation, auction procedures and training facilities; making adjustments needed to promote broad-based participation and to prevent collusion; developing regulations and guidelines for the transparent trading of enterprise shares; developing a private stock exchange, private sector share registries, depositories and clearing and settlement entities; limiting the role of holding companies and monopolies; conducting effective public education campaigns to promote the benefits of privatization and participation in it by private domestic and foreign individuals, funds and entities; and providing post privatization assistance to a range of enterprises.

(C) Legal and regulatory environment: During 1995-1996, USAID advisors will assist in the drafting of civil and commercial codes and implementing regulations, new foreign investment legislation including mineral provisions, and new property law, contract law and bankruptcy legislation. The Central Asia Enterprise Fund is opening an office in Bishkek to provide both loan and equity financing and related technical assistance. The Fund will establish a small business lending program in Kyrgyzstan. USAID will work with Kyrgyz counterparts to help draft and review legislation regarding energy policy and regulation. This will be followed with assistance in corporatization and private investment in energy entities.

**Indicators.** The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) the following commercial laws are put in place: modern contract law by December 1995; modern bankruptcy law by December 1995; modern civil code by December 1995; modern commercial code by December 1995; foreign investment legislation guaranteeing property and profit repatriation rights of foreign investors by June 1996; (2) 2,915 small state-owned enterprises transferred to private ownership between December 1994 and December 1995 and 650 medium state-owned enterprises transferred to private ownership between December 1994 and December 1995; (3) investment in mass privatized assets as a percentage of total coupon investment increases from 25% in 1994 to 50% by December 1995; (4) stock market institutions in place and securities legislation passed by June 1994; (5) an active secondary market trading system established by December 1995; and (6) an independent securities agency established and legal and regulatory framework with effective surveillance and enforcement mechanisms and qualified personnel in place by June 1995.

**Progress in 1993-1994.** In the summer of 1993, Kyrgyz authorities, responding to pressure from large cash-strapped, state-owned enterprises, injected liquidity into the banking system to help clear arrears. Since then, discipline in the face of pressures has prevailed. Monthly inflation rates have fallen to single digits, rare in the New Independent States (NIS) of the former Soviet Union. The National Bank, benefiting from USAID technical assistance, has contained the money supply, raised rediscount rates and tightened supervisory requirements on the commercial banking sector.

Despite early problems due to inexperience in a complicated process initially conducted without outside technical assistance, the privatization program is moving ahead. In the Kyrgyz Republic, unlike in Kazakhstan, individuals, as well as investment funds, can purchase shares in enterprises. Share tradeability, shareholder rights, registries and issues of corporate governance continue to receive the attention of consultants and officials.

Initial work on the legal and regulatory framework completed during 1993-1994 includes development of a regulatory environment for securities and the formation of a securities and exchange commission and a stock exchange.

Donor Coordination. The donor community is small in Bishkek. Coordination is good among USAID, the International Monetary Fund, the World Bank, the European Union, and the Swiss government on macroeconomic and financial sector assistance. USAID is the only major donor contributing to the Kyrgyzstan privatization program, and the only donor working on capital markets development. USAID-funded energy privatization advisors coordinate closely with the European Union, which is also working in this area. The World Bank is considering a project to improve the district heating system, based in part on USAID's earlier experience. USAID energy pricing and taxation analyses were used by the World Bank and the International Monetary Fund in planning electric power sector reform and privatization measures.

Constraints. During its brief three years of independence, the Kyrgyz Republic has done very well within its limited resource base. Geographic isolation, poor transport and communication links, and a limited natural resource base will constrain future growth.

#### **BUILDING DEMOCRACY (\$2,000,000).**

**SO 2. Support the transition to transparent and accountable governance and the empowerment of citizens through democratic political processes (\$2,000,000).**

After the collapse of the former Soviet Union, Kyrgyzstan was among the first on the road to reform and democracy. Some early initiatives have slowed, but the climate for change still exists. The President was an outsider and not part of the previous power structure. A relatively free press and opposition parties began to grow shortly after independence.

Institutions, standards and procedures all need to be developed to ensure a fair electoral process in an environment in which such concepts and their accompanying implementation mechanisms are still new. The development of democratic political parties with wide popular participation is also essential. A parliament with strong oversight capabilities is needed to reflect popular will and to effect the constitutional and legal framework for a democratic society. Effective balance of powers requires a strong and independent judiciary with a mandate and a will to rule on constitutional issues and ensure rule of law. Finally, efforts to build nongovernmental organization (NGO) capability and decentralize local and municipal governments are needed, making them more open, transparent, and responsive to citizens' needs.

Activities. USAID supports nonpartisan domestic poll monitoring, pre-election technical assessments, voter education, review of elections law, and civic group activities related to free and fair elections. USAID encourages local NGOs to work with elected officials at the parliamentary and local level. Seminars and workshops on political party development, coalition building, and conflict resolution have either been offered or are in the planning stages. Training and technical assistance to the judiciary and advice on developing an independent bar association are also supported by USAID. After the February 1995 elections, USAID will cooperate with the Kyrgyzstan parliament to strengthen legislative functions, especially in the area of transparency, oversight and accountability. Small grants to human rights NGOs will be made. Local government efforts, focused in the city of Karakol, include: assistance in municipal budgeting, finance and management; installation of computer-based planning systems; and undertaking training programs to ensure broader replication of demonstration efforts.

Indicators. The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) the election authority is operating independent of political interference; (2) free and fair elections are held at all levels of government; (3) legislation or other measures that facilitate independent political parties to function and operate without pressure are adopted; (4) legislation

providing for an independent judiciary is developed and adopted; and (5) the percentage of surveyed citizens who believe that the courts are free of political control and influence increases.

Progress in 1993-1994. Initial training exercises and workshops have enhanced the ability to monitor elections and have strengthened views among local counterparts about the importance of an independent judiciary.

Donor Coordination. USAID cooperates with the Organization for Security and Cooperation in Europe (OSCE) in key areas related to election assessment and monitoring. The Council of Europe, the Furth Family Foundation, and the Center for Democracy participated with the USAID-funded contractor in sponsoring workshops on judicial development. Related activities will be coordinated with these and other donors. USAID is the only donor active in parliamentary and political party strengthening.

Constraints. Historic attitudes stemming from past political control discourage people from believing that voting can really make a difference and that the Parliament can be more than a rubber stamp. The Soviet legacy works against a vibrant, multi-party system. Even those who state their commitment to democracy have difficulty dealing with public criticism and an organized political opposition. Traditional habits of doing public work in a private, secretive way are not compatible with democracy. A low level of technical and computer expertise among public servants also poses problems.

#### SOCIAL SECTOR RESTRUCTURING (\$3,000,000).

SO 3. Strengthen the capacity to manage the human dimension of the transition to democracy and a market economy, and help sustain the neediest sectors of the population during the transition period (\$3,000,000).

Improving the quality, delivery, and sustainability of core social services is crucial to improving social welfare and building popular support for the economic and political reform process in Kyrgyzstan. New and creative approaches to social service delivery, including an increased private sector role, are one way to prevent further erosion of benefits. Support for social sector restructuring must go hand in hand with broader economic restructuring and privatization objectives.

USAID's focus is on the health and housing sectors. Health is a highly visible area of the social sector which commands considerable public attention. Failure to deal with the current problems in the health sector may weaken confidence in local authority and in the reform process itself. USAID will support efforts to improve the quality and efficiency of health care financing and service delivery. In housing, USAID resources are available for the reorientation of housing policy to a market economy through improved targeting of housing subsidies, increased housing quality and choice for all consumers, and greater availability of affordable housing. The result desired is greater labor mobility for the overall economy through improved freedom and the ability to lease, purchase, and sell housing through the private market.

Activities. USAID training allows key individuals to learn first-hand how a broad range of social sector issues are addressed in the United States. Under the housing sector reform project, USAID is helping develop policies to replace subsidized rent with targeted support for vulnerable renters. USAID is also helping clarify ownership and land rights and to facilitate private investment in urban land development; an effective, market-based system of titling and valuing property is also planned.

Health finance systems will be strengthened by examining alternative options such as insurance schemes, privatization, and better targeting of publicly financed services. An intensive demonstration site for health finance and delivery will be established in the Karakol region. A health partnership with the University of Kansas Medical Center is training Kyrgyz professionals in current medical practices including nursing, modern management, and the operation of private medical practices. USAID is supporting the modernization of two family planning service delivery sites in Bishkek. Future social

sector efforts will include improving the legal and regulatory environment, especially with respect to private medical practice and pharmaceuticals. The Centers for Disease Control and Prevention will be providing technical assistance to the government to improve public health surveillance systems and response to disease outbreak. Technical assistance will be provided to support sustainable childhood immunization services.

Technical, legal and legislative assistance will be provided in the development of progressive energy sector laws and regulations.

**Indicators.** The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) the number of local level health care facilities with trained and retrained (U.S.-funded) health care providers increases; (2) the number of private health care practitioners, group practices, and pharmacies increases; (3) the number of facilities with modern clinical procedures and protocol (like those used by American International Health Alliance partnerships) increased; (4) health and clinical information systems are developed at the national and oblast levels for health care planning; and (5) a neutral and independent body to regulate the pharmaceutical industry is created.

**Progress 1993-1994.** Policy dialogue and technical advice has been provided as part of Kyrgyzstan's wider reform effort, especially in key areas related to health, population, housing and energy. USAID health and housing activities are just getting underway. A national health insurance law was passed, and USAID technical assistance has helped initiate changes in by-laws of the legislation to ensure more effective implementation. USAID has stimulated establishment of six private, multi-specialty medical practices in Kyrgyzstan. As a result of medical partnership collaboration, the Ministry of Health has already increased efficiency and reduced costs by closing down excess hospital beds and reducing length of stay. Partner hospitals have updated a number of medical practices and made improvements in hospital management. USAID, together with the World Health Organization (WHO) and the United Nation's Children Fund, assisted the government to develop a national immunization plan, which includes a revised immunization schedule, and reduced the number of contraindications which had inhibited the rational development of its immunization program. USAID provided training for government officials in the repair and maintenance of cold chain equipment donated by the Japanese government.

**Donor Coordination.** USAID activity in the social sectors is coordinated with other donors, including the major multilateral lenders. For example, USAID has coordinated closely with the Japanese in strengthening immunization and cold chain capacity. USAID has played a predominant role in establishing the Interagency Immunization Coordinating Committee, which coordinates donor support in immunization delivery and disease control activities in the NIS.

**Constraints.** Current social support systems in Kyrgyzstan are not sustainable, given the elimination of subsidies from Moscow. Nonetheless, the rhetoric of "cradle to grave" social welfare stemming from the state is difficult to overcome. Top-down, directed development approaches during Soviet rule did not engender efficient management practices across a range of social sectors.

#### **Other Donor Resource Flows.**

According to statistics from the Development Assistance Committee of the Organization for Economic Cooperation and Development, the United States provided about 24% of official development assistance to the Kyrgyz Republic in 1993. Other major donors are the International Development Association of the World Bank, Netherlands, Switzerland, and Japan.

KYRGYZ REPUBLIC  
FY 1996 PROGRAM SUMMARY

USAID Strategic Objectives	
Economic Restructuring	\$ 12,000,000
Building Democracy	\$ 2,000,000
Social Structure Restructuring	\$ 3,000,000
Total	\$ 17,000,000

USAID Regional Mission Director: Craig Buck

## LATVIA

**FY 1996 Assistance to Central and Eastern Europe Request: . . . . . \$7,450,000**

The U.S. assistance program to Latvia began shortly after that country regained its independence from the Soviet Union in September 1991. Latvia was one of the most heavily industrialized republics in the former Soviet Union, but development was oriented towards Soviet, not Latvian, economic needs. Over 33% of the population claims Russian origin, since large numbers of Russian workers settled in Latvia throughout the 50-year period of illegal Soviet annexation. In the last 18 months, the economy has turned around, and trade with the West and significant foreign investment, especially from American business, is on the increase. The United States considers the successful political and economic recovery of this region to be among its highest development priorities in Central Europe.

**The Development Challenge.**

Latvia's transition to a market economy and a democratic polity has been remarkably successful, but challenges that could threaten the completion of the process still remain. Latvia has held fair and democratically-sanctioned presidential and parliamentary (1993) and local (1994) elections. Despite recent changes in the ministerial leadership, government commitment remains firm to economic and legal reform and to combatting rising crime. The political challenges that Latvia faces include building public confidence in macroeconomic policies (especially with regard to agricultural production and marketing), fostering a sound social sector and civil society, and assuaging inter-ethnic tension among its inhabitants.

Latvia was once one of the richest republics in the former Soviet Union, and its gross domestic product (GDP) has remained the fourth highest in Central Europe at \$3,410 per capita (in 1993.) Like most formerly communist countries, it experienced a dramatic decline in GDP during the first years of the transition. However, its economic accomplishments in the past three years have been impressive, including the successful introduction of a fully-convertible national currency, price stabilization, and the adoption of legislation supportive of economic reform. USAID assistance efforts have concentrated on those public and private sector recipients who benefit from liberalization of the business climate such as the banking industry and newly-privatized enterprises.

Challenges to Latvia's continued economic progress include finding new markets for its declining industrial production, the generation of new employment opportunities, and increasing the pace of large-scale industrial privatization. The Government of Latvia has negotiated several trade agreements and is poised to join major international agreements and organizations, such as the World Trade Organization (WTO), the Council of Europe, and the European Community. Latvia will seek to reduce its significant trade deficit, further develop its trade policies, and improve the standard and quality of its exports.

**Strategic Objectives (SOs).**

USAID is pursuing the following three strategic objectives in Latvia.

**ECONOMIC RESTRUCTURING (\$6,900,000).**

**SO 1. Foster the emergence of a competitive, market-oriented economy in which the majority of economic resources are privately owned and managed (\$6,900,000).**

Small- and medium-sized businesses in the service, textiles, and food packaging industries, are among the fastest growing commercial enterprises. Approximately 80% of these former state-owned enterprises have been privatized. As firms adjust to their new roles within the economy, they require inputs such as market-oriented technology, available credit and capital, basic management and

accounting skills. They must develop the ability to apply their resources in an efficient, sustainable manner, and to save and invest profits in a stable business climate.

**Activities.** To establish the necessary framework for economic development, USAID and the U.S. Department of the Treasury have advised the government and financial institutions, such as the Ministry of Finance and the Bank of Latvia, in macroeconomic and monetary policies, tax policy and administration, budget implementation and commercial banking. USAID is particularly active in advising the Ministry of Finance on drafting budget legislation and budget management, and in advising the Bank of Latvia on bank supervision. As most Latvians do not make use of the traditional banking sector, USAID has initiated a program to develop a cooperative credit union movement in rural and urban areas.

USAID has provided substantial expertise for Latvia's large-scale enterprise privatization program and is working closely with other donors to assist the Latvian Privatization Agency, created in 1994. Our technical assistance to this specialized agency with a national mandate has focused on support of a public (voucher) privatization program for the auction of shares in state-owned enterprises.

Established in late FY 1994, the Baltic-American Enterprise Fund will be fully operational in FY 1995 and will augment U.S. assistance in the financial and private enterprise sectors by providing long-term micro-lending credit programs and sound, equity investment and joint venture opportunities. In collaboration with U.S. Departments of Commerce and Justice, USAID provides technical assistance and training in the areas of trade policy and commercial law. Legal assistance to the Ministry of Foreign Affairs in the preparation of international agreements is hastening the pace of accession to international trade structures. Commercial law assistance reinforces the government's ability to regulate monopolies and foster a competitive environment. To supplement the dearth of Latvian MBA graduates, USAID is funding a university-to-university management training and market economics education program through the Riga Technical University and University of Latvia. The first class of American-style business administration scholars will graduate in 1995. USAID provides assistance in improving energy efficiency and pricing, modernizing the power sector, and promoting regional energy cooperation among the three Baltic republics and neighboring countries. A USAID-initiated utility partnership between Central Vermont Power and the Latvian Electric Company promotes power management and organization and cost-benefit techniques. USAID also promotes regional energy cooperation in two main areas: assisting in the drafting of Latvian bilateral agreements in electricity between Estonia and Lithuania, and establishing a regional forum for the Estonian, Lithuanian, and Latvian national power companies to pursue a regional energy plan and collaborate on parallel operations of their systems.

**Indicators.** The following is a partial list of provisional indicators measuring progress toward this objective: (1) by the end of FY 1996, 35% of Latvia's adult citizens are participating in securities ownership through the investment of privatization certificates under the public mass privatization program; (2) Latvia will have increased its trade competitiveness by acceding into the General Agreement on Tariffs and Trade (GATT) by end of FY 1996; (3) the Bank of Latvia will have established in FY 1996 a fully operational bank supervision program, including regular bank examination schedules and a procedure by which to revoke banking licenses; and (4) by the end of FY 1996, the national Latvian electric utility will have initiated a demand-side management program.

**Progress in 1993-1994.** U.S. advisors assisted Bank of Latvia officials in the early design and development of monetary policy; the Bank has since received international praise for the 1993 successful introduction of its own currency. Another key 1993 accomplishment was the U.S. Department of Treasury's advice on the implementation of a major bank restructuring program which enabled the Bank of Latvia to create a two-tiered banking system and privatize over half of its commercial banks. In 1994, U.S. Treasury advisors played a key role in the preparation of a general budget law, which establishes many western aspects of federal budget formation and spending accountability. Also, in 1994, a U.S. Treasury bank supervision advisor, in coordination with the International Monetary Fund (IMF), worked on a long-term basis with the Bank of Latvia to establish

a bank supervision program. The examination of some 20 banks led to the preparation of corrective actions and the suspension of the licenses of several banks which did not meet national standards. With these systems in place, the Bank continues to implement prudent monetary policy and effectively regulate the banking sector. The latter is becoming one of the more dynamic sectors of the economy. As a result, international banks are beginning to show an interest in establishing operations in Latvia.

In the area of privatization assistance, U.S. advisory efforts with the Ministry of Agriculture paid off in 1993 with passage of crucial privatization legislation, and transfer of most dairy processing facilities, meat packing plants and large bakeries to private ownership. In addition, nearly two-thirds of all small businesses were privatized by 1993.

In 1994, two months of on-site assistance by a USAID-funded U.S. Department of Commerce advisor helped yield a trade regime which has placed Latvia in a position to qualify for WTO membership. Assistance in regional energy concerns has led to increased cooperation between the three Baltic republics and the development of a master electricity plan. This last accomplishment was an important feat for countries so dependent on external (sometimes unreliable) sources of power.

Donor Coordination. Privatization has been a multi-donor effort, and the United States has worked closely with the World Bank, French and now German advisors on assisting the agenda of the Latvian Privatization Agency through donor coordination meetings (in-country and abroad) and frequent contractor interaction and reporting.

Constraints. The Baltic republics' progress and their position as privileged transit routes to markets in the former Soviet Union has invited a rising level of economic and organized crime. Corruption, if left unchecked, risks undermining the reform process. In addition, the country's disappointing performance in large-scale privatization will be a major challenge for the still untested Latvian privatization agency.

#### **BUILDING DEMOCRACY (\$350,000).**

**SO 2. Support the transition to transparent and accountable governance and the empowerment of citizens through democratic political processes (\$350,000).**

Major pieces of legislation are in place, including laws on election procedures, criminal reform, judicial training, and conflict of interest and ethics in government. United States assistance programs focus on strengthening the public and private institutions necessary to promote a civil society, such as viable local governments and strong nongovernmental organization (NGO) networks related to public policy, environment, and humanitarian needs. Advanced legal reform and improved law enforcement to support the government's fight against economic and organized crime and corruption are also priorities for the Baltics. USAID has established a resident interagency democracy commission to oversee these emerging priorities.

Activities. USAID and the U.S. Information Agency are providing technical assistance and training in the areas of public administration and local government management, and constitutional and civil law reform. USAID's Rule of Law project serves the collective needs of Latvian judges, prosecutors, administrators, and attorneys by convening conferences and discussion groups, supporting professional-in-residence programs, and providing specialized legal library collections. The American Bar Association has supplied resident volunteer liaisons to facilitate activities in the areas of the rule of law and judicial training. USAID is also supporting legal analysis of draft legislation, judicial reform, judicial training, and training of journalists. A long-term advisor conducts on-site training for both Parliament and local political parties throughout Latvia to help build organizational, communication and legislative skills and develop a comprehensive understanding of the new legal system. One responsibility of the democracy commission will be to provide small-grant funding (up to \$24,000) for qualified Latvian organizations or individuals whose work demonstrates progress in democratic

transition initiatives.

**Indicators.** The following is a partial list of indicators measuring progress toward this objective: (1) by the end of FY 1996, the Latvian Parliament will have adopted legislation, and the Government will have instituted regulatory procedures, to ensure appropriate public access to government-controlled information; (2) Parliament will, by the end of FY 1996, be making decisions based on sound, independent policy research and input from nongovernmental organizations; (3) a framework local government budget law and budget equalization measures will have been prepared, reviewed, and adopted by the end of FY 1995; and (4) a civic and economic education curriculum will be designed for use in Latvia's secondary schools and introduced in over 30 schools by FY 1997.

**Progress in 1993-1994.** The completion in mid-1994 of the U.S. House of Representative's Special Task Force on the Development of Parliamentary Institutions in support of Latvia's Parliament represented an important contribution to improving parliamentary research. The one-time donation of approximately \$250,000 in reference materials, computer hardware and software, printers and training by the Task Force was quoted as being equal to approximately half of the annual budget for Latvia's parliament and will provide a lasting service to the country's legislative research needs.

**Donor Coordination.** Currently, there is no significant coordination in this area.

**Constraints.** Presidential and parliamentary elections will be held in October 1995. The resignation of the Prime Minister and his cabinet and the creation of a shadow opposition government in mid-1994 demonstrate that Latvian politics can be unpredictable with respect to implementing reform.

#### **SOCIAL SECTOR RESTRUCTURING (\$200,000).**

**SO 3. Strengthen the capacity to manage the human dimension of the transition to democracy and a market economy, and help sustain the neediest sectors of the population during the transition period (\$200,000).**

As Latvia's political and economic reforms take hold, the government is beginning to face socially important quality-of-life issues, such as basic health care, humanitarian assistance, pension support, and environmental protection. Latvian official experts have experience in some of these areas but are unfamiliar with others, including environmental protection and accommodation of ethnic minorities. In the period when assistance was initiated, USAID donated pharmaceuticals and medical supplies to respond to humanitarian needs resulting from the lack of supplies from traditional sources. More recently, USAID's focus has been on waste minimization and environmental policy and monitoring. Plans for a limited hospital-to-hospital health partnership are also under consideration.

The environmental program complements economic restructuring by reducing threats to human health and pursues three sub-objectives: (a) support the reform of environmental and economic policies, prices, legislation, and regulations; (b) improve the efficiency and effectiveness of public sector environmental investments; and (c) support the expansion of the role of private sector in environmental conservation.

**Activities.** USAID-funded NGOs implement specially designed waste minimization and industrial pollution prevention activities, in connection with money-saving efficiency programs for selected enterprises throughout the country. Methods for successful efforts are then demonstrated in regional workshops to associations and enterprises wishing to replicate activities on their own. A long-term senior environmental policy advisor will continue and augment our technical and policy assistance to the Ministry of Environmental Protection and Regional Development. The advisor will soon reside in-country to provide routine guidance and training to top Ministry officials. Public sector assistance is also being implemented in cooperation with the U.S. Environmental Protection Agency (EPA) to provide technical assistance and training missions directly to the Ministry. A health care partnership program

will be developed to address critical needs in the health sector.

Indicators. The following is a partial list of provisional indicators measuring progress toward this objective: (1) By the beginning of FY 1996, savings exceed \$400,000, achieved through the introduction of low-cost waste minimization measures at no less than four manufacturing facilities throughout the country; (2) by FY 1996, Government implements water quality program for the Daugavpils region (southeastern Latvia) which will provide for drinking water from a reliable long-term ground source; and (3) appropriate, current medical care practices are introduced and replicated in at least two hospitals by the end of FY 1997 through a U.S. partnership with a Latvian national reference medical facility.

Progress in 1993-1994. In mid-1994, USAID funded a pollution prevention center in Riga as a reference center at the service of Latvian industry on waste minimization and environmental issues. The center will facilitate pollution prevention programs by disseminating information on sound business practices and tapping appropriate nascent indigenous environmental service companies. USAID assistance to the Ministry of Environmental Protection and Regional Development in 1994 included guiding Ministry personnel in the design and execution of complex case studies, such as an analysis of waste water pricing and financing. Provision of specialized computer equipment in 1994 by the EPA to augment a newly established comprehensive national environmental monitoring database was the first step toward applied regional research and protection. The EPA also completed in 1994 its field work for a long-term plan to develop an urban waste and drinking water supply at Daugavpils, Latvia's second largest city. The plan is expected to be completed in 1995.

Donor Coordination. USAID's efforts support those of Sweden, the primary donor of technical assistance in this sector. The Swedish program emphasizes pollution control and sustainable development for the coastal city of Ventspils, improving treatment of organic waste, and development of industrial action plans. U.S. assistance for protection of the environment has included cooperation with the World Bank to provide support for the drafting of environmental action plans. These plans now serve as the framework for country-level discussions on environmental policy.

Constraints. No specific policy or implementation constraints impede United States assistance in the environmental sector. Advisors are working in cooperation with the Ministry of Environmental Protection and Regional Development. A major reform of the health delivery system in Latvia is urgently needed.

#### Other Donor Resource Flows.

According to the Group of 24 statistics, the United States provided about 29% of technical assistance to Latvia. Other major donors are Sweden, Denmark, Germany and Finland.

#### LATVIA FY 1996 PROGRAM SUMMARY

USAID Strategic Objectives	
Economic Restructuring	\$6,900,000
Building Democracy	\$ 350,000
Social Sector Restructuring	\$ 200,000
Total	\$7,450,000

USAID Representative: Baudouin F. de Marcken

## LITHUANIA

FY 1996 Assistance to Central and Eastern Europe Request: ..... \$12,689,000

After 51 years of rule by the Soviet Union, Lithuania regained its independence in September 1991. The United States never recognized the forcible incorporation of Lithuania into the Soviet Union, and is now the largest bilateral donor in the country, playing an active leadership role within the international donor community. Economic assistance has been supported by Lithuania's close ties to the United States and through the large network of Americans of Lithuanian heritage (over 800,000). Despite these ties and generally stable relations with neighboring countries, Lithuania has been slow to attract foreign investment and generate a favorable trade balance. The successful and irreversible economic and democratic transition of Lithuania into the Central European community is an important United States foreign policy objective in the region.

#### The Development Challenge.

Lithuania is developing less rapidly than its Baltic neighbors, but the government has been working hard to transform its centrally planned economy into a full-fledged market-oriented system. Despite the past political affiliations of government leaders, reforms have been geared to Western models and, in most areas, are proceeding at a satisfactory pace. The Government of Lithuania has also taken a hard line against white collar and organized crime, which has been on the increase. Since the breakup of the former Soviet Union, the Baltics have become important transit countries for smuggling illegal goods in and out of Russia and other New Independent States.

Macroeconomic development in Lithuania is particularly complex, because the country is less industrialized than its Baltic and Central European neighbors. Its agrarian past still influences its economic and trade policies today. The collapse of the Soviet production system has cost jobs in agriculture and food-related industries, depressed incomes and raised food prices. A restructured agribusiness sector could prevent Lithuania from becoming dependent on its neighbors and may present export opportunities. Development of the private sector is critical to the future of the Lithuanian economy. Both public and private sector leadership must strive to resolve the major issues that hinder the next stages of reform after privatization, such as determining asset title and land ownership. Agribusiness is particularly important in Lithuania and therefore requires managers, accountants and marketers trained in modern Western methods.

#### Strategic Objectives (SOs).

USAID is pursuing the following four strategic objectives in Lithuania.

#### ECONOMIC RESTRUCTURING (\$9,835,000).

**SO 1. Foster the emergence of a competitive, market-oriented economy in which the majority of economic resources are privately owned and managed (\$9,835,000).**

USAID seeks to improve the business functions of post-privatized enterprises and the financial sector, and places increased emphasis on improving agribusiness by (a) reducing production costs through increased efficiency; (b) stimulating private agribusiness expansion by removing barriers to land privatization and by promoting market-driven pricing and investment promotion; (c) improving institutional support services to agriculture; and (d) improving private sector credit delivery services.

During the time of the Soviet Union, Lithuania was completely dependent on other regions (particularly Russia) for its primary energy supply. This situation remains largely the case today. Although Lithuania now owns the Ignalina Nuclear Power Plant and other electricity supply and distribution plants, the country remains virtually 100% dependent on oil, natural gas and nuclear fuel rods imported

from Russia. This vulnerability was turned to significant advantage by Russia shortly after the Baltics regained independence, namely by controlling the energy supply pipelines. In today's more stable environment, USAID has shifted its assistance from emergency power delivery to improving electric energy efficiency and pricing, modernizing the electricity sector and promoting nuclear safety. The program also supports regional electricity cooperation among the three Baltic republics with the longer term goal of integration into the Nordic and European grids.

Activities. In collaboration with several U.S. departments and agencies, USAID is working with selected firms and businesses and with Lithuanian government ministries in privatization and enterprise development, financial sector legislation and policy reform, and investment and trade. USAID-funded experts have assisted Lithuania's Central Privatization Commission by targeting advice to state-owned firms at key stages of privatization: asset valuation, restructuring of accounting systems, and development of business and legal plans. Recent U.S.-initiated privatization efforts have concentrated on the dairy industry. New and newly privatized enterprises in other commercial sectors receive a wide range of technical assistance, depending on needs and business size. This assistance varies from basic western-style bookkeeping to training in computerized accounting and database systems, implementing budget controls, and providing marketing guidance and training on foreign exchange operations. Other private sector strengthening activities include technical and managerial assistance to a) selected private firms by recent MBA graduate U.S. volunteers on a long-term, one-on-one basis; b) Lithuanian nongovernmental organizations, especially public policy institutions which influence the macro economy; and c) newly established agricultural-based credit unions.

The Baltic-American Enterprise Fund is expected to become fully operational in FY 1995. The \$50 million fund will provide capital to small and medium-sized businesses, primarily through loans and equity investments, in Estonia, Latvia and Lithuania. In collaboration with U.S. Departments of Commerce and Justice, USAID provides technical assistance and training in the areas of trade policy and commercial law, anti-monopoly legislation and competition advocacy, and collateral law and bankruptcy.

Through two major grants with U.S. nongovernmental organizations (NGOs), USAID is providing technical assistance in management, production and marketing to Lithuania's farmers, agribusinesses, and cooperatives. Responding to Lithuanian Government requests, USAID is placing special emphasis on the country's dairy industry by advising on the quality and regulation of milk production, herd range and disease control, and in establishing a milk pricing structure.

USAID energy programs seek to improve the production capacity, financial and personnel management, and power distribution methods of the Lithuanian State Power System. In addition, USAID is collaborating with the Lithuanian State Power System on upgrading plans for a modern energy dispatch center, the construction of which will be proposed for inclusion in a planned World Bank power sector loan. A USAID-initiated utility partnership between Alabama Power Company and the Lithuanian State Power System promotes improved power management and organization, information technical system and cost-benefit techniques. A U.S. government initiative to help improve the safety of the nuclear power plant at Ignalina (which contains the same type of reactor found in the plant at Chernobyl) include the installation of a sophisticated plant analyzer at the Lithuanian Energy Institute to allow for more accurate monitoring exercises. Communication and technical information and research exchanges are promoted among Ignalina, Lithuanian State Power System officials, and other relevant organizations. USAID also promotes regional energy cooperation among the three Baltic States and with Belarus.

Indicators. The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) The Baltic countries will develop and use a consistent least-cost system methodology for electricity generation and supply by March 1996; (2) A new collateral law or amendments to the existing mortgage law pertaining to movable property will be drafted and submitted to Parliament by October 1995; (3) commercial banks will meet the Bank of Lithuania's risk weighted

capital-to-assets ratio by mid-1996; and (4) Procedures for accurate and standardized reporting by commercial banks to the Central Bank will be implemented by 1996.

Progress in 1993-1994. The largest benefit of U.S. assistance in the last two years has been achieved in the financial sector. New legislation in tax policy and administration, budget policy, banking and currency stabilization have been promoted successfully by USAID-funded advisors. Specialized managerial training has enabled the head of the Central Bank's bank supervision department to reformulate an innovative strategy for her department. In FY 1993-1994, nine medium and large enterprises were prepared for privatization, representing a significant advance in an area where overall progress has been slow. Assistance in commercial law has enabled judicial and professional legal associations to enhance trade, judicial ethics, and establish the first-ever commercial law center.

USAID-funded U.S. Department of Treasury efforts concentrate on banking and finance. A Treasury expert assisted the Bank of Lithuania for two years, providing guidance on the management of reserves and modernization of banking practices. The Lithuanian Savings Bank received U.S. policy advice on privatization and development issues. Treasury advisors helped the Ministry of Finance formulate tax policy and regulations, design tax training, and develop a national treasury function and cash management system. The Bank of Lithuania receives technical assistance from USAID on bank supervision, including instituting off-site examinations at all licensed banks, and on special issues such as bank fraud cases. USAID participated with other donors in drafting a comprehensive banker training program for Lithuanian commercial banks. These efforts are critical in prompting a sound market-oriented banking sector; for example, initial results catalyzed the decision to create a national bank training center.

The U.S.-Lithuanian utility partnership was created in mid-1994. The two participating companies have exchanged site visits and established design plans to improve the Lithuanian State Power System management structure and foster more efficient use of electricity. Building on the successful implementation of a pilot industrial energy efficiency program, USAID-funded contractors designed an expanded plan for a demand-side electricity management program in Kaunas, Lithuania's second largest city. The U.S. Department of Energy's Brookhaven National Laboratory organized a week-long seminar at Ignalina on the "Safety Aspects of Plant Modification" which was presented by the heads of the nuclear engineering departments of four major U.S. nuclear utilities.

Donor Coordination. USAID technical assistance to bank supervision at the Bank of Lithuania is provided in close collaboration with the World Bank, International Monetary Fund, and the European Union's PHARE program. The development of a unified banker training program represented a substantial combined effort initiated by USAID with the European Union's PHARE Program and British Know-How Fund experts. USAID has also worked closely with the World Bank, the European Union's PHARE program, and other governments on the reform of the electric power sector. Monitoring and safety information regarding Ignalina is regularly exchanged among the Government of Sweden and other cooperating donors.

Constraints. In agriculture, the slow pace of land tenuring remains a concern. Though most private dwellings and agricultural entities have been privatized, well over half of all state-owned enterprises has not yet been sold. The Lithuanian government failed to enact legislation to create a national privatization agency and state property fund, and this failure raises questions as to the government's commitment to complete the second wave of privatization. The nuclear power plant at Ignalina provides the country with an accessible, inexpensive, and more importantly, independent means of power generation. Although the international community is concerned about potential safety hazards, the government is reluctant to close the plant down, and plans to operate it through at least the year 2000.

**BUILDING DEMOCRACY (\$1,514,000).**

**SO 2. Support the transparent and accountable governance and the empowerment of citizens through democratic political processes (\$1,514,000).**

USAID plans to focus increased attention on strengthening the network of fledgling, indigenous nongovernmental organizations (NGOs), especially those striving to improve or constructively influence public policy, the environment, economic growth, and the social sector. USAID has established a resident interagency democracy commission to oversee this emerging priority. Another responsibility of the democracy commission will be to provide grant funding of up to \$24,000 to qualified Lithuanian organizations or individuals whose work demonstrates progress in democratic transition. Advanced legal reform (to equal the pace of commercial law reform) and law enforcement to support the government's fight against economic and organized crime and corruption are also priorities in the Baltics.

Activities. USAID has structured a rule of law project to serve the collective needs of Lithuanian judges, prosecutors, and attorneys through conferences, discussion groups, and the provision of specialized legal libraries. To strengthen public and private democratic institutions, USAID assistance is applied to legal analysis of draft legislation and judicial reform and promoting judicial training, training of journalists, parliamentary training, and political party development. A long-term advisor conducts grass-roots training for local political parties throughout Lithuania to help build organizational, communication and legislative skills.

Indicators. The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) At least five national political parties will develop distinctive identities focussing on specific platforms; (2) Comprehensive laws and legislation governing not-for-profit organizations will be developed and enacted by December 1995; (3) Implementing regulations for the laws governing not-for-profit organizations will be adopted by June 1996.

Progress in 1993-1994. In mid-1994, the U.S. House of Representative's Special Task Force on the Development of Parliamentary Institutions fulfilled its goal of providing a substantial amount of technical equipment, reference materials and parliamentary training to strengthen the country's legislative research needs during the time of democratic transition.

Donor Coordination. USAID is currently the only donor of consequence in this field, and there is consequently no notable coordination in this area.

Constraints. Popular support for the Lithuanian Government was tested many times in 1994. Correctly or not, the government has been blamed for many of the economic downturns since independence, yet the Government has successfully recaptured public confidence in times of domestic crisis. Local elections will be held March 1995 and could affect the pace of macroeconomic reforms.

**SOCIAL SECTOR RESTRUCTURING (\$1,340,000).**

**SO 3. Strengthen the capacity to manage the human dimension of the transition to democracy and a market economy, and help sustain the neediest sectors of the population during the transition period (\$1,340,000).**

As Lithuania's political and economic reforms take hold, the government is beginning to face quality-of-life issues such as basic health care, humanitarian assistance, pension support, and environmental protection that are important attributes of a developed society. Lithuanian experts have experience in some of these areas, but with others, such as environmental protection, they are completely unfamiliar. When assistance was first initiated, USAID donated pharmaceuticals and medical supplies to respond to humanitarian needs resulting from the lack of supplies from traditional sources. More

recently, USAID's focus has been on waste minimization and environmental policy and planning.

The environmental program complements economic restructuring by reducing health threats through: (a) support for reform of environmental and economic policies, prices, legislation, and regulations; (b) improving the efficiency and effectiveness of public sector environmental management.

Activities. USAID has recently initiated activities in Lithuania under its regional environmental action program to provide advice and training to enterprises that are currently sources of public health hazards, thereby making them significantly more attractive for international investors. USAID-funded NGOs implement specially designed waste minimization, and industrial pollution prevention activities, in connection with money-saving efficiency programs. Successful methods are then demonstrated in regional workshops to associations and enterprises wishing to replicate them. An advisor is providing long-term technical assistance to the Ministry of Environment on national policy issues. With USAID funding, the U.S. Environmental Protection Agency (EPA) provides technical assistance and training directly to the Ministry.

Indicators. The following is a provisional indicator for measuring progress toward this strategic objective: (1) The Baltic countries standardize their environmental monitoring and laboratory analysis procedures by May 1996.

Progress in 1993-1994. Progress in environmental protection occurred through programs in waste minimization and institutional strengthening. Provision of specialized computer equipment in 1994 by the EPA to augment a newly established comprehensive national environmental monitoring database was the first step toward applied regional research and protection. The EPA has also completed field work for a long-term plan to evaluate air quality, emissions, waste water treatment and groundwater contamination of a strategically important oil refinery in the city of Mazeikiai. The overall plan is expected to be completed in 1995.

Donor Coordination. USAID and EPA's monitoring and policy advice to strengthen the Ministry's knowledge base complements work by the European Union's PHARE program in its development of a national environmental strategy, including environmental law. U.S. assistance for protection of the environment has included cooperation with the World Bank to support the drafting of environmental action plans; these plans now serve as a framework for country-level discussions.

Constraints. The full extent of environmental degradation in some areas, especially at sites of former military installations, is not yet known. More international attention is needed to ensure longer-term assistance in this sector.

#### **Other Donor Resource Flows.**

According to the Group of 24 statistics, the United States provided about 27% of technical assistance to Lithuania. Other major donors are Denmark, Sweden, Norway, and the Netherlands.

LITHUANIA  
FY 1996 PROGRAM SUMMARY

USAID Strategic Objectives	
Economic Restructuring	\$ 9,835,000
Building Democracy	\$ 1,514,000
Social Sector Restructuring	\$ 1,340,000
Total	\$12,689,000

USAID Representative: John J. Cloutier

## FORMER YUGOSLAV REPUBLIC OF MACEDONIA

FY 1996 Assistance to Central and Eastern Europe Request . . . . . \$16,724,000

The Former Yugoslav Republic of Macedonia (FYROM) the poorest country of the Former Yugoslavia, was the only former Yugoslav republic to gain independence peacefully. Although FYROM declared its independence in 1991, the United States did not officially recognize it until February 8, 1994; full diplomatic relations have not yet been established. The Macedonians have assertively pursued policies to reform the economy and strengthen democratic institutions. However, given its geographic position and the historical enmities of its neighbors, progress has been difficult to achieve. FYROM continues to play a responsible role in trying to avoid and contain the Bosnian conflict while struggling to develop a market economy.

#### The Development Challenge.

FYROM is suffering from many of the same ills as other East European countries going through the transition from a centralized to a market economy and from a socialist to a democratic society. With most of the agricultural land already privately owned and with fewer industrial environmental disasters, FYROM does have certain advantages over its neighbors. However, the country has had to deal with the effects of compliance with the United Nations-mandated sanctions against Serbia, which accounted for 60% of its markets prior to the disintegration of Yugoslavia, and which also served as a conduit to other East, Central and West European markets. Further, the country has had to deal with the effects of the trade embargo imposed by Greece in February 1994, in response to the declared constitutional name (Republic of Macedonia), the use of national symbols, and alleged territorial ambitions. Current government estimates put the cumulative price of the sanctions and Greek blockade at over \$2 billion. These factors have exacerbated the transitional problems and now threaten economic stability. The FYROM government faces the additional challenge of having to create institutions to perform national functions previously performed by the federal government in Belgrade. Lastly, ethnic tensions remain a critical factor in the ability of the government to maintain its integrity and stability.

Despite these numerous obstacles, Macedonians appear to have the natural and human resources and have demonstrated the political will to transform their economy and their political system. In its first year of implementation, the International Monetary Fund (IMF) and World Bank-mandated stabilization program has produced positive effects. Inflation has been brought under control; the annual inflation rate was 1,925% in 1992, fell to 229% in 1993, then to 54% in 1994 (compared to the 70% rate projected by the IMF). With the repayment of the arrears to the World Bank, FYROM can now be considered for access to resources of the international financial institutions (the World Bank, European Bank for Reconstruction and Development, the IMF and the World Bank's International Development Association), and plans to renegotiate repayment terms with other creditors over the next few months.

#### Strategic Objectives (SOs).

USAID is pursuing the following strategic objectives in FYROM.

#### ECONOMIC RESTRUCTURING (\$14,574,000).

**SO 1. Foster the emergence of a competitive, market-oriented economy in which the majority of economic resources are privately owned and managed (\$14,574,000).**

##### (A) Financial and economic framework.

Since its independence from Yugoslavia, FYROM has had to create a government structure to deal with

such issues as fiscal policy, monetary policy, public investment planning, budget, taxation and revenues, and bank supervision. Numerous laws have been enacted to address those issues, with draft legislation on public enterprises still pending.

**Activities.** Because the lack of repayment of arrears to the World Bank precluded the provision of technical assistance from the international financial institutions, USAID played an early and critical role in the initial establishment of policies and procedures in the financial area. USAID-funded consultants advised the government on monetary policy, budget, tax policy and administration, bank supervision, and reform of the banking system. USAID is providing a long-term advisor to the Central Bank on bank supervision and has conducted audits and portfolio reviews on two of the four largest commercial banks. Further assistance will focus on the development and implementation of a strategy for rehabilitation of the commercial banks, long-range planning for the Bank Rehabilitation Agency, and assistance to the commercial banks in restructuring and privatization. In addition, USAID will be providing technical assistance in tax collection and administration and in the area of regulatory reform. Using Support for East European Democracy (SEED) Act funding, the U.S. Customs Service has worked with Macedonian customs officials to improve border control operations.

**Indicators.** The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) private sector compliance with tax laws is increased from current 20% level to 80% level over the next three years; (2) value added tax (VAT) system is designed and legislation approved by January 1996 for implementation in 1997; (3) systems developed for obtaining and disseminating international market information on agricultural and industrial supply, demand and prices; (4) privatization of five viable commercial banks by the summer of 1996; and (5) approval and implementation of legislation and supporting regulations for operation of commercial banks.

**Progress in 1993-1994.** In compliance with the stabilization program, FYROM has implemented a number of fiscal reforms: tightening the money supply, increasing foreign currency reserves, reducing inflation (to under 2% per month), removing most government subsidies and price controls, and enacting major new tax laws. Structural reform, however, has moved at a much slower pace, especially in the areas of banking reform and privatization. Government revenues are lower than anticipated, due to poor compliance with the new tax laws, especially in the private sector, which is currently producing 80% of business profits but paying only 20% of the taxes. Following an initial program of assistance in a broad range of financial sector activities, USAID has focused its efforts on banking reform and tax administration. New laws on taxation (sales, inheritance, customs, personal income, corporate profit, and property), passed in January 1994, reflected recommendations made by USAID advisors. Technical assistance to the Central Bank resulted in a decision by the bank to focus resources on bank supervision responsibilities. USAID-funded contractors completed audits of two major banks, as part of a World Bank effort to strengthen the banking sector. U.S. assistance helped to alleviate export and import barriers, by improving facilities and customs capabilities at the borders.

**Donor Coordination.** As part of the World Bank and IMF-mandated stabilization program, the FYROM government was required to develop and implement a variety of economic and financial reforms. A condition to the World Bank economic recovery loan was completion of audits and portfolio evaluations of the four largest banks. USAID financed the reviews of two of the four banks. The IMF and USAID are also working closely together in providing resident advisors for bank supervision.

**Constraints.** The Serbian sanctions and the Greek blockade pose serious obstacles to FYROM's economic recovery by blocking access to major traditional trading partners. Inability of the international community to provide relief for FYROM's balance-of-payments gap has hampered the country's access to credits from the international financial institutions.

(B) Privatization.

Privatization in FYROM began in 1989 with the passage of a privatization law by the former Yugoslav

parliament. A new privatization law was introduced in December 1991, following independence, but wasn't enacted by parliament until August 1993. Thus, FYROM has gotten a slower start than many neighboring states. FYROM's approach to privatization differs significantly from other Eastern European privatization laws in two key respects: FYROM has chosen a managed, self-privatization process instead of mass privatization through vouchers, and a minimum of 51% ownership must be purchased by a single entity, to clearly establish management responsibility for the privatized company. The Privatization Agency reviews and approves all privatization plans, negotiates final sales, and is responsible for sales of shares for companies only partially privatized through an auction process.

Activities. USAID is focusing on the acceleration of the privatization process itself, development of private sector capacities, and creation of an enabling environment for private business. USAID is providing a team of advisors to assist the Privatization Agency in the accelerated privatization of social enterprises; development of corporate management plans for those companies in which the Agency ends up as the majority shareholder; the preparation of appropriate contracts and instruments for sales of social enterprises; the development of regulations affecting strategic enterprises following their privatization; and development of legal procedures to handle bankruptcy and liquidation of assets of companies deemed to be unsalvageable. USAID will support small businesses in developing basic management skills and will provide a small and micro-lending program.

Indicators. The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) privatization of 12 socially owned enterprises through foreign investment by mid-1995; (2) identification of key barriers to foreign investment and enactment of legislation to remove them; (3) development of information materials for potential foreign investors by mid-1995; and (4) thirty percent reduction in the number of socially owned companies remaining in state hands by the end of 1995.

Progress in 1993-1994. Moving cautiously in an area with a high potential for social disruption, FYROM initiated its privatization process with the development of a methodology for valuation of the targeted socially owned enterprises, with input from USAID-funded advisors. The Privatization Agency then provided training to private sector valuers, who were licensed to provide valuation services to companies developing privatization plans. To date, 74 companies have been privatized; the World Bank program calls for another 400 to be privatized by mid-1995. In addition, around 50,000 new private businesses have been licensed, most in the trade sector. USAID participated with the World Bank in a special review of the 25 social enterprises which are the largest loss-makers. This study resulted in recommendations to the government on the restructuring of the five largest socially owned enterprises. The special restructuring program adopted by the Parliament reflects the recommendations made, and provides World Bank support for their implementation. A major obstacle to restructuring, lack of access to credit, is being addressed through World Bank credits to commercial banks and through a USAID program for micro-lending.

Donor Coordination. The World Bank and USAID are working very closely in coordinating both privatization and social sector reform efforts for FYROM. Both the World Bank and USAID worked on a special review of the 25 loss leaders. The World Bank will provide additional assistance to these loss leaders to help them implement cost-cutting action plans.

Constraints. Lack of interest by potential foreign investors due to (1) uncertain economic conditions; (2) lack of financial structures; and (3) uncertain regulatory environment are major constraints to privatization. Delays in closure on the IMF standby agreement and related delays in access to international credit inhibit commercial lender interest in investment.

#### (C) Agricultural sector restructuring.

Although industry accounts for 43% of the gross domestic product (GDP), FYROM is primarily an agricultural society. Unlike many other East European countries, FYROM is already largely private in

agriculture, with 85% of the land in private hands and 90% of the production private. Historically, the largest market for the country's agricultural products has been the Former Yugoslavia and, through Yugoslavia, Central and Western Europe. The Serbian sanctions now prohibit trade with neighboring Serbia. FYROM must find new markets.

Activities. USAID activities focus on the agricultural sector both at the grassroots level and at the national level, ensuring the existence of a technical and economic infrastructure which will support the activities of individual farmers and cooperatives. Specifically, USAID will complete a land survey to identify land markets, ownership issues, land and inheritance taxes, and the extent of land fragmentation; establish an agricultural policy capability at the Ministry of Agriculture, to assess the economic implications of agricultural subsidies, public investments in agriculture, price policies, and enhanced competition and efficiency; compilation of agricultural census data collected during the 1994 census; and development of rural credit institutions to provide access to capital for investments in the rural areas. USAID soon will begin a pilot program in livestock production which will serve as a model for other sectors of agriculture. USAID also will continue technical assistance to individual farmers and farmer groups, on ways to improve production, processing, packaging and marketing of their agricultural products.

Indicators. The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) land registration system completed by the end of 1996; (2) USAID-assisted agribusinesses increase their market share by 30% by the end of 1996; (3) credit mechanisms established to provide access to credit for rural populations, to be self-sustaining within four years; and (4) increases in the quantity and quality of milk and cheese produced from sheep, packaged for sale in Western markets.

Progress in 1993-1994. The agricultural sector in FYROM has been buffeted by the closures of its borders to the north and south, as well as by a seven-year drought. Lacking adequate market information on international supply and demand, Macedonian farmers have been unable to adjust production to market needs, resulting in surpluses in some products and shortages in others. The high degree of land fragmentation and the lack of a privatization law for agricultural land have inhibited adoption of more efficient agricultural technologies. While many agricultural subsidies have been eliminated, lack of access to markets, inexperience in developing new markets, and lack of access to credit have prevented most farmers from responding to normal market incentives. Recognizing the importance of agriculture in the Macedonian economy, USAID financed over 65 volunteers to work with private producers, cooperatives, and the government to improve food storage and processing capabilities and open new markets. The volunteers' work provided valuable input into the design of USAID's longer term agricultural programs, which begins in the spring of 1995.

Donor Coordination. The USAID assistance program is closely coordinated with a planned \$23 million World Bank agricultural sector program.

Constraints. Increased transportation costs associated with United Nations sanctions against Serbia and the Greek embargo have raised the prices of Macedonian agricultural products to uncompetitive levels. European Union (EU) protective measures in agriculture have inhibited access to EU markets.

#### **BUILDING DEMOCRACY (\$1,150,000).**

##### **SO 2. Promote the peaceful transition to a democratic society (\$1,150,000).**

While Macedonians moved peacefully to a democratic system, much work needs to be done. Currently, political parties are organized along ethnic lines. By most estimates it will take five to ten years to evolve to a more interest-based political system. There is also a real need for better understanding on the part of the general populace, and of their representatives, of their rights and responsibilities. Key legislation (on human rights and ethnic relations, local government, commercial

law, etc.) has yet to be enacted. The current government, formed following elections in October 1994, will address most of these issues over the next 12 months.

**Activities.** USAID assistance addresses the broad spectrum of activities associated with democratization, including: laws, citizen and community responsibilities, the election process, the role of the legislative and executive branches of the government vis-a-vis the citizens, and the role of the media as the watchdogs of democracy. In the area of citizen participation, USAID will provide technical assistance to communities in the development of civic and nongovernmental organizations (NGOs) aimed at dealing with problems of common interest to all or part of the populace. USAID will also assist government officials in being more responsive to citizen concerns through improved public administration. In the area of the media, USAID will provide training in the role of media in a democratic society. Finally, assistance will focus on improving election processes and strengthening political parties.

**Indicators.** The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) establishment of independent television and radio stations providing community service and news programs; (2) local elections are completed and deemed free and fair by official observers; (3) a law on local government is passed by the end of 1995; and (4) the number of registered indigenous NGOs increases by 50% by mid-1996.

**Progress in 1993-1994.** FYROM now has over 200 independent radio and television stations, although most are still heavily focussed on entertainment, with little public-interest broadcasting. Newspapers are published in most of the minority languages, with the Albanian paper having recently moved from biweekly to daily publication. There are approximately 30 registered NGOs, most involved in humanitarian activities. International and domestic observers judged the recent elections to have been reasonably fair and open. To strengthen democratic institutions, USAID and the U.S. Information Agency (USIA) advised political parties on campaign techniques and financing, in preparation for the October 1994 elections. They also conducted an assessment of current and proposed election procedures, and made recommendations for changes in legislation to remove inconsistencies. Such recommendations were incorporated in the draft legislation presented by the government to the parliament. Toward the end of the year, SEED funding was approved for community-based activities centering on education and the development of parent and teacher associations in ethnically diverse villages, on institutional capacity-building among indigenous women's organizations, and for a project building institutional capacity among indigenous NGOs working in the area of environmental protection.

**Donor Coordination.** USAID has coordinated activities with other NGOs working in the region, such as Dutch Interchurch Aid, the SOROS Foundation, and Search for Common Ground.

**Constraints.** The threat of a spillover of ethnic tensions from the north (Bosnia/Serbia) exacerbates ethnic tensions between Albanian and Macedonian nationalities in FYROM.

#### HUMANITARIAN/SOCIAL SECTOR RESTRUCTURING (\$1,000,000).

SO 3. Strengthen the capacity to manage the human dimension of the transition to a market economy while minimizing the social impacts (\$1,000,000).

As the privatization process moves forward, one inevitable result will be the reduction in employment levels in privatized companies, as new owners focus on profitability. The current economic situation, driven by loss of markets to the north and south, has already resulted in a reduction in the employed population from 560,000 three years ago to 397,000 today. Further, it is estimated that at least a fourth of those employed are on "technical leave" (not working but receiving 70%-80% of pay). Currently 180,000 also are registered as unemployed. Although the privatization law calls for 15% of sales payments to be allocated to social support systems, the pace of privatization is not generating sufficient funds to provide any significant level of relief. While the systems for administering social

support programs are well organized and fairly efficient, the rapid increase in demands on the system threatens the ability of the system to respond. The potential for social and political destabilization are a real concern.

Activities. In the area of social assurance programs, USAID will address welfare and pension system reforms in support of the World Bank's program. In the humanitarian area, USAID financed a team of biomedical specialists who conducted a survey of medical equipment throughout FYROM. These results were shared with other donor organizations to assist in targeting assistance to the highest priority equipment needs. As a follow-on to this assessment, USAID is funding a second team of specialists to identify parts needed for repair of broken equipment, to train local technicians in repair and maintenance techniques, and to establish an in-country inventory of critical spare parts.

Indicators. The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) the law on welfare is revised to equalize payments among categories of welfare recipients; (2) outreach program increases coverage of eligible welfare recipients to 90%; (3) actuarial data is developed to provide a basis for pension fund projections; and (4) pension fund computations are revised to reflect actuarial data.

Progress in 1993-1994. In connection with the IMF's systemic transformation facility (STF) and the World Bank's economic recovery loan, FYROM was required to implement a number of reforms in its social assurance programs: increases in percentages of salaries withheld for social benefits (health, pension, unemployment), raising of the eligibility age for pensions, and reform of several labor laws, for example. The enterprise and financial sector adjustment loan now being negotiated with the World Bank will entail further reforms in the social assurance programs, as preconditions to issuance of critically needed credits. USAID assistance programs are targeted at helping FYROM comply with these conditions. To date, USAID-financed consultants have conducted an assessment of the social assurance programs, and have made initial recommendations on changes needed to current laws.

Donor Coordination. The World Bank and USAID are working closely in coordinating the social sector reform efforts for FYROM, with the Bank targeting health and employment, while USAID targets pensions and welfare.

Constraints. While the demand for social support systems is rising, the current economic deterioration is reducing government revenues and therefore eroding the budget base for these social programs.

#### Other Donor Resource Flows.

According to the Group of 24 statistics, the United States provided about 49% of technical assistance to FYR Macedonia. Other major donors are Germany and Australia

#### FORMER YUGOSLAV REPUBLIC OF MACEDONIA FY 1996 PROGRAM SUMMARY

USAID Strategic Objectives	
Economic Restructuring	\$ 14,574,000
Democracy Building	\$ 1,150,000
Social Sector Restructuring	\$ 1,000,000
TOTAL	\$ 16,724,000

USAID Representative: Linda Gregory

## MOLDOVA

FY 1996 Assistance to the NIS Request: . . . . . \$ 30,000,000

Despite significant obstacles, the Government of Moldova is moving ahead with economic and political reform. There has been progress on macro-stabilization: prices have been freed, inflation has been reduced substantially, and privatization is proceeding. On the political front, generally free and fair parliamentary elections were held in February 1994 and civic and other types of non-state organizations are multiplying. The Moldovan government is also taking steps to eliminate regional ethnic tensions in Trans-Dniester through peaceful, constitutional mechanisms. Continued assistance from the United States and other donors is essential if Moldova is to accelerate its transition to a market-oriented democracy.

#### The Development Challenge.

With a well educated populace (5.5 million), a high level of social development and a national government demonstrably committed to reform, Moldova is well positioned to make the transition to a democratic, free-market society. The introduction of a new currency, the leu, together with prudent fiscal and monetary policies, has sharply cut inflation from 21% per month in 1993 to under 2% in 1994 and reduced the public debt to about 8% of gross domestic product (GDP). Private ownership of homes and apartments has risen to over 70%, though privatizing apartments in large housing complexes has presented new problems in managing communal areas and services. Steps to cut import tariffs and government subsidies are spawning efficient and competitive enterprises.

Despite these advances, Moldova still faces formidable challenges. Per capita GDP has fallen dramatically since 1991. The economy is almost completely dependent on imported energy. Restructuring of the agricultural sector, the key to Moldova's future growth, has been uneven. Trade with other New Independent States (NIS) has also dropped sharply as consumer demand for Moldovan exports tumbled due to flagging economic conditions in traditional trading partners Russia and Ukraine. Official unemployment while still relatively low is increasing and up to a third of all wages remain unpaid. Natural disasters including floods, droughts, wind storms and earthquakes have further drained scarce resources.

Through its financial and technical assistance the United States is working with Moldovan officials and pro-reform constituencies to realize the goal of an economically prosperous and democratic nation. Creating a favorable climate for private investment, restructuring the agricultural sector to stimulate agribusiness exports, and strengthening democratic institutions and processes are key aims. It would be very difficult for the government and people of Moldova to stay the reform course without U.S. and other foreign assistance.

#### Strategic Objectives (SOs).

USAID programs in Moldova support the following strategic objectives.

#### ECONOMIC RESTRUCTURING (\$27,000,000).

SO 1. Foster the development of a competitive, market-oriented economy in which the majority of resources are privately owned and managed (\$27,000,000).

##### (A) Privatization and business development.

Promoting the transition to a market economy is the top priority of U.S. assistance to Moldova. Training and technical assistance is geared to stimulating individual entrepreneurship and facilitating privatization. Reform of the country's largely state-controlled and owned agribusiness industry is

extremely important. Many of the larger farms are in the process of transforming into joint stock companies or cooperatives. Increasing agricultural exports is integral to sustained economic growth. Businesses must reorient from numerical targets to technology improvement, product quality, profitability and marketing, including cultivating new markets.

**Activities.** USAID began its privatization program in 1994 and will continue to provide strong support in FY 1995 and FY 1996. Specific elements of USAID's economic restructuring program include: (1) Mass privatizations under the National Patrimony Bond system, established in 1994; (2) Establishment of a securities market regulatory body and capital market infrastructure; (3) Training Moldovan nationals and providing information systems to assist the ongoing privatization effort, improve corporate management and support restructuring; (4) Assisting private farmers and farmer associations to improve farm management methods and marketing at the local level; assisting small agribusiness enterprises to improve processing, packaging, and management and to identify joint ventures; and assisting state and collective farms to privatize; and (5) Training professors of agriculture from the Agrarian State University in market-based agribusiness. New activities to start in 1995 include: promoting equity investments in private businesses and stimulating lending to small businesses through the West NIS Enterprise Fund; opening up regional business support centers; and assisting in housing privatization and private maintenance and management.

To support new commitment to reform, USAID will provide funds in FY 1996 for structural reform support to enable the United States to support, on short notice, the efforts of countries embarking on programs of comprehensive economic restructuring. USAID-funded assistance will likely take the form of commodities, commodity transport, and trade or investment credits that can be counted toward filling balance-of-payments gaps as these new reformers come to terms with the International Monetary Fund (IMF) or World Bank on structural adjustment loans. U.S. contributions to this process are critical in influencing other bilateral donors to participate and can greatly influence the commitment of NIS republics to embark on comprehensive economic reform. Moldova is among the countries most likely to qualify for these funds.

**Indicators.** The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) privatization of 1,500 enterprises by the end of the government's 1995-96 program; (2) increased percentage of agricultural land in private hands; (3) two functioning regional business support centers by the end of 1995; and (4) expanding linkages between Moldovan agribusinesses and Western firms.

**Progress in 1993-1994.** With USAID support, the Ministry of Privatization completed a successful pilot project in July 1994 and then launched the mass privatization program. Specific elements of the program include: (1) educating the public on the national patrimony bond auction process and on shareholder rights and responsibilities; (2) distributing national patrimony bonds; (3) developing the regulatory structure for the program and procedures for auctioning medium and large enterprises; (4) holding a closed bid auction of 253 medium and large enterprises and an open-cry auction of 88 small enterprises since July 1994; (5) completing 40 technical assistance and training missions for agribusinesses and farmers associations; and (6) facilitating linkages between Moldovan agribusinesses and 13 U.S. and other foreign companies.

**Donor Coordination.** In addition to U.S. assistance, the World Bank has signed a structural adjustment loan of \$60 million to support privatization, creation of a competitive economic environment, and balance-of-payments support and is proposing a further loan to promote private sector development. The United Kingdom has provided complementary technical assistance on privatization. In business development, USAID is cooperating with the European Union and the World Bank, complementing their Chisinau-based efforts with proposed regional centers.

**Constraints.** Potential risks to the privatization program include divisions within the Moldovan government over the speed and scope of reform and inadequate expertise to administer the program.

Another constraint is insufficient balance-of-payments support which could reduce output and fan inflation, thereby eroding living standards and popular backing for economic restructuring. These risks can be minimized with carefully targeted technical assistance, balance-of-payments support, and political support for the reform majority in the Moldovan parliament.

(B) Capital markets and financial sector development.

A viable private enterprise system requires market-based decision making. The key mechanism is a public stock exchange and freely tradeable shares in privatized enterprises. Other important elements are the creation of public policy analysis units within the government and training centers for commercial bank officials.

Activities. With USAID's support, the Moldova Stock Exchange will plan all aspects of securities trading: hardware procurement, software implementation, legislation, trading rules, clearing and settlement systems and expanded training programs on customer service and credit issues.

Indicators. The following is partial list of provisional indicators measuring progress toward this strategic objective: (1) market regulations and a functioning securities exchange commission will be in place by August 1995 and (2) improved commercial banking practices and strengthened international correspondent bank relationships.

Progress in 1993-1994. Pilot share registries have been established at three recently privatized enterprises. A capital markets monitoring unit was established to provide market surveillance and analysis for the government and training and technical support to the investment fund and trust company industry. An examination manual has been prepared, and five investment funds are being selected for examination. Training classes are being conducted on enterprise management, the investment industry, and corporate governance practices. In November 1994, the State Commission of Securities Markets passed comprehensive regulations concerning the safekeeping and confidentiality of records, share transfer procedures, independent registrars, and shareholder reporting. More than 250 employees from commercial banks, the Ministry of Finance, and the National Bank of Moldova have already received training.

Donor Coordination. There has been close coordination, particularly with the IMF and the U.S. Treasury. The World Bank and IMF have provided rehabilitation loans, two drawings from the Systemic Transformation Facility, and one Stand-by Arrangement, all of which have supported financial sector reform. The U.S. Treasury is providing advice on government securities and budget. The United Kingdom has provided support to the banking industry, while the European Union, Germany and France have provided technical assistance and training.

Constraints. The lack of sufficient technical expertise is a constraint on future reform. In addition, while the Government of Moldova's commitment to economic restructuring is currently strong, it could wane if the transition to a market system brings widespread and sustained hardship.

(C) Energy and environment.

With the exception of modest hydroelectric generation, Moldova depends on imported fuels for all its energy requirements. State-owned energy enterprises no longer have trade agreements to obtain enough fuel to meet the country's needs. Without assistance to secure energy resources, Moldova's fledgling private industrial and agribusiness enterprises will be unable to operate, causing severe disruptions in the economic, social and political spheres. Stabilizing energy supplies, in part through greater efficiency and conservation measures, is crucial to the success of the entire reform effort. As the most densely populated of the former Soviet republics, Moldova has been particularly affected by the Soviet legacy of environmental mismanagement. Degradation of soil, air and water threatens the all-important agricultural sector and potential poses acute social and health problems.

**Activities.** USAID is helping to establish energy efficiency standards and to promote restructuring of Moldova's energy enterprises. This includes the Chisinau 2 power plant's combustion efficiency program, gas industry rehabilitation, demonstration projects on energy plant efficiency and demand-side management. USAID also is supporting a partnership between a U.S. and Moldovan power utility. USAID will provide assistance to the Moldovan legislature to establish or strengthen existing environmental laws and regulatory bodies. Another demonstration project involving a large farm will demonstrate sound agricultural practices to the agribusiness community. Moldova's present waste and water treatment facilities will be analyzed to determine what assistance, if any, USAID can provide to upgrade the system.

**Indicators.** The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) conclusion of international agreements to ensure uninterrupted supplies of energy resources; (2) establishment of energy-efficient power utilities and distribution system to reduce import dependence; (3) promulgation of strong environmental laws and creation of effective regulatory bodies; (4) heightened environmental and conservation awareness; and (4) upgrading of the existing water quality and supply system.

**Progress in 1993-1994.** A USAID-funded environmental health specialist helped to determine current environmental health risk-assessment skills and to prioritize environmental management needs. An evaluation of Moldovan environmental agencies was done in order to identify those with which USAID contractors will work.

**Donor Coordination.** The World Bank, United Nations Development Program, and the Commission of the European Union Technical Assistance to the Commonwealth of Independent States (EU/TACIS) program are providing funds for energy and environmental projects. The United Kingdom, Netherlands, and France are providing technical assistance. Russia has pledged 90 billion rubles' worth of fuel credits.

**Constraints.** Potential risks include a Russian hold on energy credits, continued natural disasters, and difficulties in the administration of restructured power utilities and environmental regulations.

#### **BUILDING DEMOCRACY (\$1,500,000).**

**SO 2. Support the transition to transparent and accountable governance and the empowerment of citizens through democratic political processes (\$1,500,000).**

Continued democracy in Moldova will require an impartial and efficient electoral administration system and a country that is governed in accordance with an impartial legal system. Under communism, the legal system, including institutions, legislation and education all languished. Citizens need to be empowered to participate in public policy decision making through the electoral process, political parties, and non-governmental and civic organizations.

**Activities.** In the political sphere, the International Foundation for Electoral Systems (IFES) is working toward three program goals in Moldova: (1) impartial and efficient election administration through professional and independent election commissions that abide by democratically-determined electoral law; (2) public understanding of, confidence and participation in Moldova's electoral system; and (3) increased capacity of independent institutions, such as parliament, the courts and nongovernmental organizations (NGOs) to support democratic electoral processes. On Moldova's legal system, the American Bar Association's Central and Eastern Europe Legal Initiative operates in Moldova, providing comments on draft legislation, assistance in organizing associations of legal professionals, and assistance in organizing legal education and training. In the area of citizen participation, Counterpart operates an NGO center to provide technical assistance, training, seed grants and material (from decommissioned U.S. military bases) to Moldovan NGOs. USAID is also training Moldovans in the United States in such areas as: functions and administration of a treasury, tax system and federal

reserve system; development of capital markets; administration of trade and World Trade Organization obligations; and drafting legislation.

Indicators. The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) modification of the electoral code, including regulations governing constituency delimitation; (2) increased uniformity of election procedures at all levels, including improved ballot security practices and mechanisms for adjudication of grievances; (3) creation of a Moldovan bar association, operating under legislation giving it authority to organize the legal profession; (4) law school curriculum revised and instructors retrained to present new material by 1996; (5) judiciary training revised by December 1996 resulting in improved competency of staff; and (6) increased number of local NGO staff trained in financial and organizational management.

Progress in 1993-1994. The Moldovan parliament is considering a draft law on election of local authorities. A voter education working group composed of former Central Election Commission members, advisors and representatives of legal and educational institutions was formed. A legal administration reform working group composed of experts in local administration and of the national government has been formed. Moldova adopted a reformed parliamentary election law in the fall of 1993. Election observers, both foreign and Moldovan, were trained. Voter education spots for both radio and TV were produced for the 1994 elections. Draft legislation to permit a Bar Association has been introduced in parliament. Continuing legal education classes have been held. Topics covered have included law practice management and organizing a local bar association. An NGO services center opened in Moldova in 1994 and is gathering information of NGOs and holding training sessions. Over 50 Moldovans have now been trained in the United States.

Donor Coordination. Other donors have sent election observers and receive some assistance from IFES. There are no major rule-of-law activities being implemented by other donors. The World Bank, IMF, and Japan's Former Soviet Union Fund have provided complementary financial support for Moldova's legal, tax, and administrative reform initiatives. The UN, Germany, and France have provided additional technical assistance.

Constraints. While the Government of Moldova remains committed to reform, opposition both within the government and among the electorate, economic hardship (e.g. unemployment; declining real wages), and ongoing ethnic tensions limit policymakers' room to maneuver.

#### **SOCIAL SECTOR RESTRUCTURING (\$1,500,000).**

**SO 3. Strengthen Moldova's capacity to manage the human dimension of the transition to democracy and a market economy, and help sustain the neediest sectors of the population during the transition period (\$1,500,000).**

Moldova has recently suffered through ethnic conflict and natural disasters that required substantial humanitarian assistance in the form of medical supplies, construction materials to rebuild homes, and food. The country is also in the midst of restructuring its national health care system, including its childhood vaccination program.

Activities. Partnerships between Moldovan and U.S. hospitals will provide technical assistance, exchanges and training visits to the United States focusing on trauma care, dialysis, cardiac surgery, medical education, and hospital management. USAID will assist the parliament and the Ministry of Health in health care system restructuring. USAID's BASICS Project will provide follow-on technical assistance and continue to work with the Moldovan government to develop a self-sustaining immunization program. Continued training and technical assistance for women's health and family planning activities will be provided. At the request of the Ministry of Health additional technical assistance is planned to help draft new health insurance legislation. The United States declared an emergency following floods and wind storms in Moldova and provided a \$25,000 disaster assistance

grant to the Moldovan government's Disaster Relief Commission. Additional humanitarian assistance may be required to deal with future emergencies.

Indicators. The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) three participant institutions (the Republican Clinical Hospital, the Medical University of Moldova and the City Ambulance Center) establish in-house training and continuing education programs; (2) development and implementation of a national diphtheria control strategy; and (3) development of a national immunization plan for vaccine-preventable diseases.

Progress in 1993-1994. Hospital partnerships were signed between Hennepin County Medical Center (Minnesota) and the Republican Clinical Hospital, City Ambulance Center, and Medical University in Chisinau in January 1993. Moldovan representatives participated in an international conference in St. Petersburg on health care reform. An assessment of the vaccine system in Moldova was conducted in April 1993. Since mid-1993, through the U.S.-Japan Immunization Initiative, USAID has provided technical assistance and some commodities to assist the Moldovan government in developing an effective and efficient child immunization program.

Humanitarian assistance included the following: Operation Provide Hope consisting of 500 metric tons of food and medical supplies valued at \$5 million; U.S. private sector donations of over 300 tons of medical supplies, food, and clothing worth \$6 million; a medical assistance initiative consisting of 20 tons of medicines and supplies worth \$3.1 million; and Defense Department excess medical supplies worth just over \$8 million.

Donor Coordination. In addition to the U.S.-Japan Immunization Initiative noted above, the Government of Japan will be providing \$500,000 worth of primary childhood vaccines in 1995. USAID has played the pivotal role in establishing the Interagency Immunization Coordinating Committee, which coordinates donor support in this area, including a diphtheria control strategy in the NIS.

Constraints. A reignited conflict in Trans-Dniester would pose serious humanitarian problems and demand additional resources. Continued support for the peaceful resolution of the Trans-Dniester tensions through the Organization for Security and Cooperation in Europe (OSCE) and the withdrawal of Russian troops from the region mitigates other risks. The World Health Organization and the United Nations Children's Fund estimate that approximately nine million adult diphtheria vaccine doses are needed to stem the epidemic in 1995; so far no donor has committed to provide the vaccine.

#### **Other Donor Resource Flows.**

No statistics on Moldova are available from the Group of 24 or the Development Assistance Committee of the Organization for Economic Cooperation and Development.

**MOLDOVA  
FY 1996 PROGRAM SUMMARY**

USAID Strategic Objectives	
Economic Restructuring	\$ 27,000,000
Building Democracy	\$ 1,500,000
Social Structure Restructuring	\$ 1,500,000
Total	\$ 30,000,000

Regional Mission Director: Gregory Huger

## POLAND

FY 1996 Assistance to Central and Eastern Europe: . . . . . \$65,425,000

Poland's size, central location, and history make its success in introducing a market-oriented democracy vital to United States policy in the region. Not only is its population of 40 million larger than that of the Czech Republic, Slovakia, Hungary and Bulgaria combined, but it was also the first country in Central and Eastern Europe to begin the struggle against its communist past and the first to come out of its post-communist recession. The fact that it has come so far economically with democracy intact makes it a crucial example to the region. Poland's achievements matter well beyond Poland; they will influence stability and hope in the entire region as a whole. Poland is succeeding in the transformation process; it is critical for the United States to continue supporting this transformation until Poland's success is irreversible in all important aspects.

Over the last three years, Poland has also become more important to the U.S. economy as import markets have opened for almost all goods. U.S. trade with Poland has increased to the point that the U.S. Government has named Poland as one of the top ten "Big Emerging Markets" in the world for U.S. exports. This indicates that the U.S. Government will continue to assist U.S. companies to target these markets with aggressive export strategies. Continued economic reform and political stability in Poland will allow the U.S. to increase its activities in the area of trade and investment.

#### The Development Challenge.

Poland's success in economic and political reform have far from eliminated all developmental issues. While macroeconomic stability has been impressive by regional standards and the Polish gross domestic product (GDP) has grown for three consecutive years, some structural reforms still need to be deepened and broadened and the potentially destabilizing social sector requires priority attention. Among the key challenges remaining are the acceleration of the mass privatization program and of its translation into fundamental restructuring of large enterprises. Structural reform of the banking sector also needs to catch up with the pace of reform in other sectors. Furthermore, Poland's fiscal gains could be threatened by the potential growth of social sector transfer payments which are linked to outdated, inefficient, and non-market compatible policies and institutions. All in all, however, while the balance sheet on the transformation process has both debits and credits, Poland is very much on the right track. With targeted assistance, the U.S. Government can support Poland's transformation towards a full democracy and a functioning free market.

#### Strategic Objectives (SOs).

USAID is pursuing the following three strategic objectives in Poland.

#### ECONOMIC RESTRUCTURING (\$36,025,000).

**SO 1. Foster the emergence of a competitive, market oriented economy in which the majority of economic resources are privately owned and managed (\$36,025,000).**

Supporting private sector development through assisting entrepreneurs, helping to accelerate the pace of privatization and restructuring, and removing barriers to improving the business climate continue to be of the highest priority in the U.S. assistance program for Poland.

Attention to regions of Poland outside the main pockets of growth will be increased. USAID will provide assistance to private enterprises through U.S. nongovernmental organizations (NGOs) or volunteer organizations, which provide high quality technical and managerial expertise at reduced cost.

Activities. Efforts to promote and accelerate the pace of privatization will include: (1) assisting the

development of financial mechanisms to support the privatization of large numbers of Poland's state-owned enterprises; (2) assisting the Ministry of Privatization and other institutions (national, regional, and urban) responsible for promoting the privatization process; (3) assisting the Warsaw Stock Exchange with a separate central clearance and settlement facility to serve the mass privatization program; (4) training government officials, workers' councils, trade unions and company management about the long-term benefits of privatization; (5) assisting the development of a legal and regulatory framework and practices conducive to the growth and maintenance of newly privatized companies; (6) ensuring that long-term environmental considerations are integrated into the privatization process and that firms meet international environmental standards; and (7) developing a domestic corporate finance capability in selected Polish financial institutions.

To support entrepreneurs and the private sector, USAID will: (1) provide capital investments and loans to commercially viable businesses, primarily through resources already committed to the Polish American Enterprise Fund; (2) strengthen enterprises, especially in the regions, by making available resident business advisors for small and medium-sized enterprises in areas such as formulating business and marketing strategies, preparing loan proposals, and on-line resource assistance information for the Polish private sector; (3) help identify Polish companies looking for U.S. business partners and making their interests known to the American business community.

The strategy for assisting the development of the financial sector focuses primarily upon the banking industry and other financial institutions such as credit unions and rural cooperative banks. Development of the financial sector includes assistance to the Ministry of Finance in the area of debt negotiation, in which Poland recently had unprecedented success. The Government of Poland (GOP) has requested continued assistance in these critical areas, including bank supervision, restructuring and privatization of the banking industry, and in developing Poland's capital market by strengthening the primary and secondary securities market. The GOP has asked that U.S. assistance be focused on: (1) helping recapitalize and restructure a select number of commercial banks through the reprogramming of \$200 million in stabilization fund resources; (2) strengthening the capacity of the National Bank of Poland to implement a sound regulatory and supervisory environment for the banking sector; (3) assisting the banking industry in responding to its role in a capital market environment; (4) strengthening and restructuring rural financial institutions (cooperative banks) and establishing and strengthening financial institutions (savings and loans, credit unions) for consumers and small savers; (5) strengthening the primary and secondary securities market through assistance to the Polish Securities Commission, Warsaw Stock Exchange, and brokerage firms on legal, regulatory, organizational and technical issues, as well as through investor education and protection; and (6) strengthening a market-based mortgage and construction lending system and policies by leveraging World Bank and European Bank for Reconstruction and Development loans with capital through a Housing Guaranty loan, and by technical assistance and training in mortgage institutions and banks at the primary and secondary level.

Indicators. The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) 5 of 9 state-owned banks privatized by 1996; (2) 18 million out of 40 million population participating in securities ownership under mass privatization; (3) The proportion of housing constructed by private sector increased from 50% in 1994 to 60% by December 31, 1996; (4) A collateral law enacted by 1995 and a law on bankruptcy by 1996; (5) Between 200-400 loans will be made to create or expand micro-enterprises by February, 1996; (6) the Polish-American Enterprises Fund's small business loan program converted to a full-scale licensed private commercial bank by 1996; (7) A functioning over-the-counter securities market established by end of 1995; (8) A Warsaw stock exchange and a national depository for securities that meets international standards established by 1996; (9) Uniform bank reporting to Central Bank and Central Bank supervision functioning and penalties assessed against non-complying banks by 1996; and (10) Financing for long term municipal infrastructure offered by at least one bank by end of 1996, and loans totaling at least \$5 million financing infrastructure in at least 3 cities by 1998.

Progress in 1993-1994. The Polish American Enterprise Fund has been instrumental in strengthening the private sector. The Fund's small lending subsidiary, Enterprise Credit Corporation, has made over 2,700 loans for a total of \$64 million to small borrowers, and plans are underway to establish a \$20 million micro-lending program. Many of the Fund's investments are contributing to the development of the financial sector, for example, the creation of the first functioning mortgage bank, the first floatation of a private-owned company on the Warsaw Stock Exchange, and the creation of a commercial bank in Krakow. In late 1994, the Ministry of Privatization launched the mass privatization program. USAID-funded advisors played an important role in helping lay the groundwork for it, while also providing technical assistance leading to four privatizations valued at \$22.5 million. USAID assisted with the privatization of eight glass sector enterprises, one of which was the third largest transaction to date. A USAID-funded contractor conducted a business valuation of the Huta Warszawa steel mill, one of the largest employers in its region, as part of the mill's successful privatization. USAID helped establish the Foundation for the Promotion and Development of Small and Medium Enterprises (SMEs), which, along with the Group of 24 (G-24) donors' task force on SMEs, is well-positioned to be a catalyst for change and for the inclusion of private sector interests in policy discussions, especially with the Ministry of Industry and Trade. Advisors at BPH Bank in Krakow have won approval of a strategic plan for the implementation of an investment banking unit at the recently privatized bank. Advisors in the PBK Bank in Warsaw have been providing technical assistance and training on problem loan work outs, credit evaluation, and investment management. USAID has trained banks to help operationalize a market-based mortgage and construction finance program. Three US Treasury advisors are providing guidance to the Ministry of Finance on overall policy concerning bank privatization, commercial bank restructuring and consolidation, and privatization transactions.

Donor Coordination. The U.S. Government is coordinating its assistance activities with other major donors and lenders in order to increase opportunities to maximize the impact of assistance. USAID, which has the predominant role in providing U.S. assistance, will take an increasingly active role in coordinating its assistance activities with other donors, including the World Bank, the European Bank for Reconstruction and Development, the European Union, and other members of the G-24, as well as in leveraging and providing assistance where the U.S. has the appropriate expertise. For example, USAID took the lead in organizing a donor meeting in Warsaw in January 1995. One of the major items under discussions is SME development; the others are municipal development and finance and social sector restructuring (see below). A USAID-funded Department of Treasury advisor has participated in the World Bank team which is looking at a financial sector adjustment loan and there appears to be ample scope for continued close cooperation.

Constraints. As the economic choices get tougher and the room for maneuvering diminishes, movement forward with privatization, bankruptcy, and economic restructuring will require greater political will. Increased tensions between parties and personalities could make true consensus harder to find, especially as upcoming elections begin to overwhelm statesmanship. In addition, the inertia of institutions that were formed and shaped under non-market conditions should not be underestimated and their restructuring or replacement will require time, persistence, and consistency.

#### **BUILDING DEMOCRACY (\$8,150,000).**

**SO 2. Support the transition to transparent and accountable governance and the empowerment of citizens through democratic political processes (\$8,150,000).**

Poland is in its fifth year of democratic governance since the fall of communism and has weathered several changes of leadership with no sacrifice of systemic stability. USAID's program in democratic development will build on this firm institutional foundation at the center, attempt to stimulate new habits of on-going active citizen participation, and strengthen administrative responsiveness in the regions. We will also help Poland evolve the legal and judicial systems appropriate for the new market-oriented environment and will continue to support professional and independent media as a necessary concomitant of civic vigilance.

**Activities.** Support will be given (1) to increasing citizen participation and responsiveness at local, regional and national levels, by helping Polish nongovernmental organizations (NGOs) develop viable constituencies and effectively communicate their needs to governments; (2) to strengthening independent, democratic and objective media which understand their public responsibilities; (3) to assisting the legal and judicial system to deal with the new challenges of an open, free-market economy - including economic and organized crime; (4) to reforms that enable government offices at the regional level to provide services which are more responsive to local needs; (5) to helping the design and delivery of civic education and social science education; and (6) to encouraging dialogue between citizens and their elected and appointed officials.

**Indicators.** The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) Fifteen indigenous NGO's demonstrating influence over government policy in democracy, environment, economic growth and/or social sector restructuring by January 1977; and (2) A new revenue-sharing formula favorable to towns established by end of 1996.

**Progress in 1993-1994.** U.S. Government assistance has helped streamline the work of the Polish Parliament by providing modern automation and office systems and by training key staff. The program helped develop independent and effective information and analysis bureaus, which are now able to serve the members of Parliament and professional staff and help them better perform their necessary roles in a democratic society. The bureaus now provide assistance to other parliaments in the region. U.S. experts provided comments on the draft Polish Constitution and analyzed Poland's White Collar Crime Law. A group of prosecutors and judges also received training in white collar crime in early 1994. By April 1994, the USAID-supported Warsaw Journalism Center had established itself as the only facility in Poland to offer professional, practically oriented training and had trained more than 200 media and broadcast students of journalism. Most of the former graduates have been offered jobs with major Warsaw newspapers, magazines and radio stations. Several Polish NGOs have received assistance and are now able to offer services ranging from training for the unemployed, business advice and consultation, database for the self-help groups, grants for local press, running community-owned telephone cooperatives, environmental cleanup and protection, and development programs for women. Several Polish municipalities were assisted in managing newly acquired responsibilities such as housing, land, taxation, infrastructure, finance and budgeting, and economic development.

**Donor Coordination.** The European Union (EU) is the most active major donor in the area of local government and NGO development. USAID anticipates working closely with the EU to avoid duplication of effort and to direct available resources where they will do the most good.

**Constraints.** Poland's overwhelming success in establishing a democracy greatly reduces the constraints to its further development in this area. Key issues remaining involve the unlearning of practices of civic passivity that were inculcated by years of authoritarian rule and developing the relationship of the central government to lower-level administrative and political units.

#### **SOCIAL SECTOR RESTRUCTURING (\$21,250,000).**

**SO 3. Strengthen the capacity to manage the human dimension of the transition to democracy and a market economy, and help sustain the neediest sectors of the population during the transition period (\$21,250,000).**

At the Prague Summit in January 1994, the U.S. President announced his intention to give more attention to the social effects of economic transition in Central and Eastern Europe. This was the base for his July 1994 launching of an initiative to help Poland reform its social sector. The joint Polish-American initiative will refine and expand Polish efforts to restructure the financing and provision of retirement and disability pensions, poverty relief, health care, and housing as well as to address the problem of unemployment. Changing these social service systems is a key element in the transformation of the Polish economy and polity, one which should create synergies with economic

restructuring and democratic reform initiatives. Restructuring the social sector to operate under market conditions is necessary in its own right, and should also maintain popular support for economic reform, which in turn should produce the economic growth and new jobs which are the best ultimate guarantees of social protection. On the other hand, failure to restructure and target the state's role in providing social benefits could stall the country's political and economic transformation.

**Activities.** USAID will undertake activities: (1) to strengthen governmental and non-governmental capacity for policy, legal, and regulatory analysis in the area of pension and health care reform; (2) to improve the management and efficiency of the existing pension system; (3) to help develop supplemental pension options linked to capital markets; (4) to improve training for modern health care managers; (5) to demonstrate innovative models of organizing, financing, and managing health resources at the local and national levels; (6) to expand and institutionalize new employment services mechanisms to address the needs of the unemployed; and (7) to continue and accelerate development of an affordable mortgage-based housing market, including the introduction of innovative pilot projects.

**Indicators.** The following is a partial list of indicators measuring progress toward this strategic objective: (1) Database and capacity to analyze subsidies established in Ministry of Spatial Engineering & Construction by the end of 1996; (2) Housing allowance program (including rent-setting policies) established in 25% of towns by the end of 1996; (3) Single-number identifier registration plan developed for the existing Polish pension system by end of 1995; (4) Analysis of policy options for supplemental funded pension mechanisms ready for presentation to Polish Government by July, 1995; (5) A pilot project, consisting of some 500 mortgages, designed to demonstrate an affordable mortgage-based housing market operating by December 1995; and (6) Two independent health care service institutions created by December, 1996, as demonstrations of the Health Care Institutions Act; (7) Two US-Polish health care management education partnerships established and 60 Polish managers have received education through these institutions by December 1996.

**Progress in 1993-1994.** With USAID assistance, two small housing cooperatives have demonstrated that they can organize themselves to produce affordable houses in a free-market environment. Resident advisors provided assistance to cooperative members and assisted Polish authorities in restructuring and streamlining existing housing cooperatives.

By April 1994, approximately 4,000 Poles had taken a self-employment and entrepreneurial skills training program, and 570 graduates had started their own businesses. By April 30, 1994, over 650 trainees had graduated from the Praga and the Gdynia skills training centers and had been placed in new jobs or returned to existing jobs with up-graded skills. The second training center in Gdynia was officially opened in September 1993. Polish construction companies, U.S. firms and joint ventures are offered construction assistance through on-the-job training arrangements. By 1994, a model regional employment services center was operating, providing training to labor officials throughout the region in order to better serve the unemployed. This center is being replicated in other cities within Poland, providing training to Ministry of Labor and city officials, as well as to officials from the Baltic countries.

By April 1994, more than 3,500 women were screened for breast cancer under a Health Partnerships program, with 30 cases of cancer detected. This screening was initiated for the first time in Poland, the only formal screening program in Central and Eastern Europe. By March 1994, the Friends of Litawska Children's Hospital became the prototype for private funding of capital and technological improvements and for volunteerism. By April 15, 1994, more than 150 physicians and technicians from the cities of Krakow, Bialystok, and Lodz were trained in emergency medical services. Three emergency centers were opened, equipped with ambulances and medical equipment. By the end of 1994, a business plan had been finalized for creating an Integrated Health Delivery System in Lodz.

**Donor Coordination.** Representatives of USAID, the World Bank and the European Union PHARE program met in December 1994 to discuss areas for donor cooperation in pension, health care, and welfare reform in Poland. This discussion will be continued at the January donors meeting in Warsaw.

referred to above. USAID is working very closely with the World Bank in the housing sector, and Bank staff have participated closely in project design activities in the pension and health areas.

Constraints. The social sector in communist Poland was intimately linked with the state's control over production and distribution of goods. As industry and trade come to be ruled by strictly economic criteria, the welfare functions that they also used to perform must be covered by new institutions and practices. The establishment and development of such institutions and practices is a long-term, gradual effort, and one that requires host-country conceptual and managerial flexibility and innovation. The difficulties are compounded by the political sensitivity of this sector, and the redefinition of the social contract implicit in the reforms.

#### Other Donor Resource Flows.

According to the Group of 24 statistics, the United States provided about 63% of technical assistance to Poland. Other major donors are the European Investment Bank of the European Union, Italy, Germany, and Sweden.

#### POLAND FY 1996 PROGRAM SUMMARY

USAID Strategic Objectives	
Economic Restructuring	\$ 36,025,000
Building Democracy	\$ 8,150,000
Social Sector Restructuring	\$ 21,250,000
Total	\$ 65,425,000

USAID Representative: Donald Pressley

## ROMANIA

FY 1996 Assistance to Central and Eastern Europe: . . . . . \$ 46,046,000

Romania, with 23 million people, is the second largest of the formerly centrally planned economies in Central and Eastern Europe. Following 45 years of Communist Party rule, Romania began its economic transformation after the December 1989 revolution. Since then, as Romania's policies have increasingly emphasized the restructuring of its economy and democratization of its political system, U.S. Government assistance efforts have steadily expanded. The political and economic interests of the United States continue to be best served by an active program assisting Romania to promote a strong, sustainable economic transition and stable democratic society.

#### The Development Challenge.

Immediately after the 1989 revolution, the Romanian economy experienced a 35% drop in real output levels (including a 50% drop in industrial output) and a 25% compression in real wages, coupled with triple digit inflation. This economic freefall began to show signs of abatement by 1993, when the first indications of a return to positive growth appeared. Macroeconomic reforms, instituted in late 1993 through spring 1994, began to bring runaway inflation under control and stabilized the rate of exchange for Romania's currency.

While significant economic and political reforms have been put in place recently, foreign investors remain skeptical that reform efforts will be sustained and produce results. Five years after the revolution, the low level of foreign investment and inadequate domestic financing hinder the growth of all but the smallest enterprises. During the past five years, foreign investment comprised 1% of gross domestic product (GDP), one of the lowest levels in the region. The democratic and economic transition in Romania continues to face a series of formidable challenges.

Romania's ability to sustain economic reforms and promote a stable democracy face a number of key constraints, including: restrictions against foreign ownership of land; bureaucratic red-tape and corruption; limited availability of investment finance; slow pace of privatization; lack of respect for contractual obligations; lack of a sound electoral registration system; low voter turnout; low confidence in the judiciary; and a weak social safety net.

#### Strategic Objectives (SOs).

USAID is pursuing the following three strategic objectives in Romania.

#### ECONOMIC RESTRUCTURING (\$29,950,000).

SO 1. Foster the emergence of a competitive, market-oriented economy in which the majority of economic resources are privately owned and managed (\$29,950,000).

USAID efforts will focus on developing new private businesses in Romania, along with parallel support to the ongoing Government of Romania (GOR) industrial restructuring and privatization programs.

Activities. Support for privatization in Romania is a major U.S. assistance goal, though levels of assistance will depend on whether a new and more effective privatization law is passed early this year. Privatization of currently state-controlled businesses, and the reform and restructuring of Romania's largest industrial sectors, will continue. The provision of advisors to the GOR's Restructuring Agency will help state entities to operate according to market principles and to facilitate privatizing the 200 largest state-owned industrial companies, representing over 50% of total industrial capacity. Petroleum sector restructuring efforts will continue to focus on regulatory reforms and demonopolization programs which encourage international investment. A new effort will review

options for restructuring Romania's national power and heat utility company, and instituting a new legal and regulatory system.

Privatization of up to 3,000 smaller enterprises will be supported by assistance to the anticipated new GOR "mass privatization" voucher program. Likely activities include continuation of public information efforts to build public understanding and participation in the privatization process.

Business development activities will include management training and advisory services through programs in local universities and business centers and with volunteers. Private business development in the agricultural sector will emphasize the food processing industry, with programs targeting private operators in the grain milling, baking, meat processing, and dairy processing sectors. USAID will undertake activities in energy efficiency and pollution minimization, linking our strategic interests in those areas with our overall emphasis on business development.

USAID's support for Romanian entrepreneurs will encompass direct investment finance assistance. The Romanian-American Enterprise Fund will enter into full operation during this period. Through loans and equity investments, the Fund will inject new resources into Romania's capital-starved private sector.

USAID will also provide economic reform policy assistance and will continue successful industrial waste minimization programs.

Indicators. The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) 200 companies with a net worth of \$90 million equivalent are privatized by the end of 1995; (2) passage of a petroleum law, drafting of an energy law and preparation of a power sector options study by the end of 1995; (3) 50% of landholders obtain legal title by the end of 1996; (4) a stock exchange is operational by the end of 1995; and (5) a \$25 million private investment company is in operation actively purchasing shares of state-owned enterprises.

Progress in 1993-1994. Progress in Romania's economic restructuring efforts during 1993 and 1994 was most evident in the impressive achievements of new private businesses. Despite lingering governmental favoritism towards state-owned companies through 1993, the private sector succeeded in generating 30% of Romania's GDP in 1993 and 35% in 1994. USAID programs provided managerial and technical assistance to over 5,000 Romanian companies between 1992 and 1994.

Privatization of state-owned companies was more uneven during this period. A renewed GOR commitment in 1994 produced most of the over 800 companies which have been privatized under current law. An amended privatization law was passed by the Romanian Senate in December 1994 and will be considered by the Chamber of Deputies in February 1995.

Efforts to restructure the petroleum sector moved forward with the establishment of the National Agency for Mineral Resources, the first independent regulatory agency in Romania. USAID-financed technical assistance had developed the policy and legal framework for the creation of the agency. Environmental improvements were realized by USAID-financed programs through low-cost and no-cost methods of waste minimization demonstrated at the largest oil refinery and petrochemical plant in the country, and shared in outreach workshops.

Donor Coordination. In macroeconomic policy and program financing, direct coordination with the World Bank is quite effective, directly leveraging significant investment through the use of USAID-financed technical assistance. The closest linkages exist in the petroleum industry and the electric utility sector. USAID is helping the World Bank prepare new projects in power sector rehabilitation and refinery industry restructuring and privatization. USAID programs are helping the GOR, World Bank and European Bank for Reconstruction and Development (EBRD) to implement health, social protection, financial sector restructuring, agribusiness development, and local government infrastructure sector activities.

**Constraints.** The national government bureaucracy has not supported implementation of reforms with much enthusiasm. There is a concern that state-company managers appointed by the previous communist regime have positioned themselves to take advantage of the private opportunities. A lack of transparency and consistency, on issues such as different approaches to privatization and pricing policies among state-owned companies, has limited opportunities for private entrepreneurs.

**BUILDING DEMOCRACY (\$6,228,000).**

**SO 2. Support the transition to transparent and accountable governance and the empowerment of citizens through democratic political processes (\$6,228,000).**

Romania lacks a tradition in democracy, and neither the leadership nor the general populace have strong instincts on their roles and responsibilities. Basic concepts of the rights and responsibilities of citizens to the civil society, and of government to the citizenry, are only gradually being understood and accepted. Further, civic structures, such as the recognized rule of law institutions which support and defend the rights of the individual, and free access to public information, are at a rudimentary stage of development.

**Activities.** Civic education programs support the engagement of key groups in developing a functional, pluralistic society. These groups include political parties, the judiciary, the media, labor unions, and nongovernmental organizations (NGOs). USAID also will work with Romanian partners to prepare for anticipated local and national (parliamentary and presidential) elections in 1996.

Local programs will support legislative actions to decentralize further governing authorities in particular, to gain control over the generation and use of revenues. Additional actions will emphasize improving the management and technical capabilities of the local governments and creating more fora for citizen and government interaction.

Support programs for Romanian NGOs will build on institutional development assistance and training to encompass direct financial support, particularly to groups which are ready to enlarge their role in the public policy process.

USAID will continue efforts to strengthen the Parliament as an independent branch of government with recognized responsibilities to its constituents. Technical assistance and equipment to strengthen staff capabilities will be provided.

**Indicators.** The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) free and fair elections at the local and national levels in 1996 as determined by international and Romanian independent observers; (2) creation of a permanent electoral bureau by 1996, so that elections and election monitoring can occur without a need for specific enabling legislation for each election; (3) a 10% increase in the transfer of tax revenues back to local governments in 1995, and passage of a local government finance law by 1996, which will accelerate the process of decentralization; (4) four pieces of NGO-advocated legislation pass parliament by the end of 1996 (environment; water; NGO sponsorship; and local government finance laws); and (5) direct access to information and analysis through establishment of a modern library and research facility in parliament by the end of 1995, thereby decreasing reliance on official government sources and leading to greater separation of powers between executive and legislative branches.

**Progress in 1993-1994.** Romanian citizens had easier and more effective access to Parliament in 1994. The concept and practice of constituent service by Parliamentarians gained wide acceptance, with local offices being opened for the first time in many areas. Town meetings brought legislators face-to-face with constituents. NGOs gained access to Parliament during debate, and environment-sector NGOs began reviewing draft legislation at the invitation of Parliament.

USAID assistance to municipal governments fostered improved service delivery, focusing on water supply and sanitation. Municipal finance assessments allowed the Romanian Federation of Mayors to begin lobbying Parliament and the GOR on specific improvements related to decentralization of financial

authorities. Assistance in developing condominium associations provided Romania's mayors with a model for addressing the critical management issues of privatized housing. A USAID-financed study tour in the United States succeeded in bringing representatives from key offices of local and national government and Parliament together in a collaborative process for the first time, laying the groundwork for informal networking and a more effective working relationship.

The growth of Romania's NGO community was supported by direct technical assistance in all sectors. An information clearing house was the basis for the creation of a national council of NGOs. The first meeting of the national council allowed NGOs to collaborate on the preparation of key policy papers which provide a framework for public policy interactions with government. Targeted training programs for NGOs in the social service and environment sectors provided basic information on organization, management and fund-raising. Environment NGOs alone raised more than one million dollars in funding from outside sources.

Donor Coordination. USAID coordinates directly with democracy building programs funded by the European Union, and participated actively in an international conference on local government and decentralization sponsored by the European Union and World Bank. USAID-financed technical assistance leverages municipal funding from the EBRD in several cities.

Constraints. National government officials are reluctant to decentralize authorities or delegate governing responsibilities to local levels. There is great difficulty in achieving consensus among the various competing parties on major initiatives and issues of national interest.

#### SOCIAL SECTOR RESTRUCTURING (\$9,868,000).

SO 3. Strengthen the capacity to manage the human dimension of the transition to democracy and a market economy, and help sustain the neediest sectors of the population during the transition period (\$9,868,000).

The USAID program will focus on promoting improved access to quality health and social care for the most vulnerable and reducing risks to health and safety caused by environmental pollution. The deterioration of health care delivery systems in Romania and the long-term costs of maintaining the institutional treatment and care system for abandoned and handicapped children raise societal, economic and political issues which are critical to the success of the democratic and economic transition. Outreach and training for the newly unemployed is also needed to sustain support for the reform process and will be the focus of a new USAID-funded activity.

Activities. USAID will continue its support, as needed, to programs that address the needs of Romania's institutionalized children. Social workers will be trained, family reunification and in-country adoption pursued, and facilities for rehabilitation of handicapped children will be renovated. New approaches to taking children and adolescents out of institutions and developing community-based care systems will be tested. A particular effort will be made to keep human immunodeficiency virus (HIV) positive children out of institutions, and to educate the public about prevention of HIV infection.

New approaches to health sector management and finance will form an important part of the portfolio. The program will continue to rely on health partnerships with U.S. health care institutions. Health sector activities will link with industrial environmental programs to give the GOR a capability to monitor, assess and respond to environmental degradation and its impact on health. Women's health and family planning activities will include new approaches which expand access to safe and modern contraceptives as a means of reducing abortion, a major contributor to Romania's maternal mortality, which is the highest in Europe. Initiatives in the area of Ministry of Health reproductive care policies and expanding the commercial availability of contraceptives will be high priorities.

USAID will also work on programs related to the dislocation of workers resulting from the economic reform program. The activities will target retraining, job placement and improved government outreach programs.

Indicators. The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) Ministry of Health policy in place to protect children and public from unsafe injection practices associated with transmission of Hepatitis B and HIV by the end of 1995; (2) incidence of elevated blood lead levels caused by industrial pollution is decreased by 10% in two project sites by the end of 1995 (among children under six in a copper smelter company town, and workers at an automobile battery factory); (3) through NGO programs, a total of 330 children are adopted (domestic or international); 110 abandoned or handicapped children are in foster care or group homes; and 1250 children are reunited with their families by the end of 1995; and (4) use of modern contraceptives among women increases from 14% in 1993 to 25% in 1996, and the percentage of women who know where to get modern contraceptive methods increases from 85% in 1993 to 95% in 1996.

Progress in 1993-1994. The program has benefitted 1,500 handicapped and abandoned children through renovation work at eight institutions. USAID has financed training for social workers and development of university-level curricula at four Romanian universities and has assisted in the creation of the Romanian Association for the Promotion of Social Work so that social problems can be evaluated and remedied according to culturally accepted methods. Romanian physical therapy and rehabilitation staff have been trained at five institutions, and play therapy has been introduced. A pilot transitional living center for handicapped adolescents has been established, providing living and job skills to previously institutionalized residents. The concepts of foster parenting and group homes have been introduced with successful results. A pilot early childhood education development program has expanded from five to ten sites and has provided the model for the Ministry of Education's new kindergarten curriculum.

Three Romanian family planning NGOs have been developed and are providing high quality, medically sound family planning counseling, education and services through a network of nine clinics serving over 22,000 women.

The first Romanian department for community medicine and family practice has initiated operations. A partner cardiovascular surgery department has reduced its operative mortality rate from over 10% to 3%. A hospital and ambulatory care improvement program has been instituted in three locations. The Romanian Neonatal Association, recently created, has provided the basic curriculum for a new GOR neonatology residency program.

The first specific environmental health activities were initiated during this period, providing monitoring and testing equipment at two sites. The project will measure sulfur dioxide emissions and blood lead levels, assess health impact, and make recommendations for reducing exposure to releases of toxic materials into the environment.

Donor Coordination. Donor coordination in these areas occurs at a number of levels. Multi-donor efforts on Danube River water quality issues involve coordination with the World Bank and EBRD. Similarly, the Environmental Action Plan, agreed to by the governments of Central and Eastern Europe along with donor nations and agencies, and the Global Environmental Facilities provide effective structures for coordination.

Health sector coordination relies on effective interaction at the project implementation level, as well as national efforts. The United Nations Children's Fund (UNICEF) coordination among donors and with the GOR is particularly important; USAID's role as the principal donor to UNICEF's program in Romania gives us crucial access to this process.

Constraints. The deeply acculturated pro-natalist view among the medical community and general populace will continue to pressure against use of modern contraceptives, thereby leading to abandoned children and high abortion rates. The need for fiscal austerity has limited the government's ability to respond to worsening social conditions. Poor management and budgetary practices lead to inefficient use of scarce resources for health and social services. Fear of job loss by workers in children's institutions has slowed the transition to alternative models of care.

**Other Donor Resource Flows.**

According to the Group of 24 statistics, the United States provided about 26% of technical assistance to Romania. Other major donors are Germany, the European Investment Bank of the European Union, Italy, and France.

**ROMANIA  
FY 1996 PROGRAM SUMMARY**

USAID Strategic Objectives	
Economic Restructuring	\$29,950,000
Building Democracy	\$ 6,228,000
Social Structure Restructuring	\$ 9,868,000
Total	\$46,046,000

USAID Representative: Richard Hough

## RUSSIA

FY 1996 Assistance to the NIS ..... \$260,000,000

Since the collapse of the Soviet Union in December 1991, Russia has been moving away from an authoritarian state and centrally planned economy toward a more open, democratic society and market-based economic system. This dramatic reorientation is critical to U.S. interests. For the benefits of the Cold War's end to be fully enjoyed in both our countries and around the world, Russia must continue to dismantle the legacy of state control over economic activities, political processes and individual lives, and must reorient its enormous resources to improving the quality of life of its people. Such shifts will bring direct benefits to the American people in the form of increased confidence in sustainable world peace, reduced defense requirements and expanded markets for U.S. goods and services.

Far-reaching economic and political change in Russia has origins in the mid-1980s with *glasnost* (openness) and *perestroika* (restructuring). Change accelerated with the end of the Soviet Union and the birth of independent Russia and the other New Independent States in late 1991. The rapid pace of change continued with the rapid liberalization of many elements of the Russian economy in 1992-1993, and the election of a new Russian parliament in late 1993. Significant progress continued in 1994, resulting in macroeconomic stabilization and reform, as indicated by better functioning markets, increases in personal consumption, massive transfers of ownership of domestic businesses into private hands, increased jobs and income in the new business sector, and an increased flow of direct foreign investment.

Democratic processes have also begun to emerge. Russians in many regions now receive their news from independent newspapers, television and radio stations, and civic organizations now articulate independent views on a range of political and economic issues. There has been a significant devolution of administrative power from the central government to the regions and municipalities. Opportunities for citizen participation in decision-making on public policy issues are beginning to be formalized. Since 1992, the United States has extended significant financial support to the Russian reform program and has contributed substantially to this progress.

The scale and speed of the economic transition envisioned by the current Russian leadership -- a complete transformation, in less than a decade, from a command economy to one led by market forces -- is unprecedented in world history. There are differing views within Russia on how and at what pace to proceed with both political and economic reforms. As a result, while the overall reform trend continues to be positive, the curve is not always smooth. For the average Russian, the major benefits of democracy and market economics are not yet fully demonstrated, and the pain of the transition itself is often apparent in economic conditions that include high inflation, loss of job security, and deterioration of social services. There is real danger of backlash in the current incomplete state of reforms.

The stakes are thus enormous. If the transformation process should falter and yield to economic and political turmoil over the next several years, the United States could not be sure of a secure global environment in which trade and investment could thrive and in which Russians could realize the social and economic benefits of the end of the Cold War. Continuing turmoil could destabilize the region and the globe and impoverish the lives of millions of people. In the second half of the decade, maintaining the course of reforms will thus be critical for the interests of the United States and for the well-being of Russians themselves. Russian initiative will be the most critical determinant of the pace of reform, but the U.S. contribution sends a very important message of support and encouragement and makes a critical difference in removing impediments to key reforms. This stark fact constitutes the major rationale for our ongoing U.S. assistance program in Russia.

The Development Challenge.

While Russia can look with satisfaction at progress already achieved, the task ahead is equally challenging. Although the privatization process has progressed much more rapidly than was anticipated in early 1992, it remains incomplete. Infrastructure and investment needed to facilitate industrial restructuring are not yet in place. Domestic investment capital has been slow to mobilize, in part because of continued high inflation (related to a persistent deficit in government financing) and in part because of the high risks associated with the rapidly evolving economic and legal environment. Over-staffing is still prevalent in many firms. Little progress has been made in increasing the productivity of agricultural enterprises, inhibited in part by lack of agreement on whether and how to privatize farmland. While foreign investors are exploring the Russian market, actual investment levels remain relatively low as potential investors display caution in the face of uncertainties about Russia's political future, its poor credit rating, and the perverse economic incentives created by certain taxes, regulations and policies governing economic activity and foreign participation. Corruption and organized crime have emerged as major political and economic concerns, reflecting a lack of functioning systems to maintain the rule of law under open and democratic principles.

#### Strategic Objectives (SOs).

Efforts in Russia as well as other New Independent States (NIS) are concentrated around three strategic objectives: (1) economic restructuring, (2) building democracy, and (3) social sector restructuring.

To support these objectives, USAID is working alongside Russian partners at both policy and technical levels in a variety of areas. U.S.-funded activities aim at knowledge and skills transfer and include pilot and demonstration efforts, which have proven to be useful first steps to reform in sectors including private enterprise development, energy, housing, health and political processes. For example: by making available to Russia the expertise of analysts and advisors who are experts in their fields, U.S. assistance has enabled Russian decision-makers to determine quickly which sequence or mix of actions could best fulfill their reform objectives. By underwriting training courses, internships, and exchanges for Russians from all walks of life, U.S. assistance has enabled those ultimately responsible for undertaking this historic transition to acquire and apply new ideas, new tools, and new approaches.

The U.S. assistance program in Russia involves many U.S. government entities and a host of U.S. private business firms, voluntary organizations, and universities acting as advisors or experts in various technical areas, as well as a growing number of host country partner organizations and the national and regional governments of the Russian Federation. These efforts are opening doors for U.S. investors and trading partners, who are increasingly important in the economic environment of Russia. Our assistance and cooperation are forging links largely outside government-to-government channels.

#### ECONOMIC RESTRUCTURING (\$187,000,000).

**SO 1.** To foster a competitive, efficient, market-oriented economy in which the majority of economic resources are privately owned and managed, and economic decisions are based primarily on individual choice (\$187,000,000).

Activities. U.S. assistance is heavily concentrated in programs aimed at helping Russia complete the transition from a state-controlled economy to a market system based on private property, competition and a dynamic business sector. The success of this transition is essential for laying the foundation for long-term sustainable growth, increased employment and higher living standards in Russia. With the successful privatization of a large segment of Russian industry, attention has turned to helping create a legal and regulatory climate in which private business can thrive and to assisting traditional enterprises in restructuring along market lines as well as promoting the creation and growth of new business, assisting with fiscal reform, promoting a modern banking industry, and improving the use of natural resources.

(A) Privatization and Post-Privatization Restructuring. U.S. advisors are assisting significantly in the transfer of state assets to the private sector. In 1994, the Russian government's small-scale and mass privatization programs resulted in privatization of 70% of the industrial sector, or approximately 100,000 businesses, and 40 million Russians becoming shareholders. With the successful conclusion of this program in mid-1994, future privatization assistance will shift to supporting cash sales of the remaining state enterprises and of the government-owned shares of privatized enterprises. A major new initiative will build Russian capacity to help privatized firms to restructure and become more efficient. The goal, in addition to restructuring selected enterprises that will serve as models, is to train a core of Russian management consultants who can carry out these functions on a commercial basis after U.S. assistance ends.

(B) Legal and Regulatory Framework for Private Sector Development. Legal and regulatory reform receive a high priority in U.S. assistance programs because of their importance for creating a hospitable environment for successful market development. Legal advisors provide technical assistance and training to counterparts in the Office of the President, the Parliament and the Center for Private Law Reform to support the drafting of specific laws and enforcement mechanisms, based on the recently enacted civil code. Activities in 1995-96 will focus on areas essential for the development of a strong private sector economy such as de-monopolization, real estate sales, securities market regulation and banking supervision.

(C) Fiscal Reform. American advisors are assisting Russia to reform tax codes and improve tax administration. The current inadequate tax system impedes domestic and foreign investment and encourages tax evasion and economic crime. By limiting tax revenues, it also prevents Russia from managing large, destabilizing budget deficits. Through training and expert advice, U.S. assistance will provide the central government with the capacity to improve revenue and expenditure analysis and tax collection. Other support will be aimed at upgrading tax administration at the regional and local level where more than half of revenues will be retained and expenditures incurred under the new system of fiscal federalism. In providing this assistance, USAID will coordinate closely with the International Monetary Fund and World Bank to ensure that U.S. activities support and complement their efforts to encourage sound macroeconomic policies.

(D) Capital Markets and Banking. The U.S. gives high priority to helping Russia build the legal and institutional infrastructure needed to permit the mobilization of savings for investment in a modernized economy. Substantial capital is required to retool privatized industry through stock trading and new stock offerings. U.S. technical assistance is focused on support for an independent regulatory body; independent share registries; clearance and settlement organizations; recognized accounting, reporting and auditing standards; and ethical codes for corporate officers and dealer/brokers to protect shareholder rights. These institutions are absolutely essential to creating confidence among both foreign and domestic investors. In addition, U.S. advisors are training bankers and assisting the Central Bank to improve bank supervision and payments clearance. This assistance is closely linked to major World Bank funding.

(E) New Business Development. To stimulate the growth of new small private businesses, which are expected to be a major source of new employment in Russia as the market develops, the United States is supporting the creation of multi-purpose business development centers in eight, and possibly up to twelve, cities. The centers will provide training and advisory services to small businesses and work with local governments to create a hospitable environment for private business growth. They are intended to demonstrate the benefits of small business development in localized settings and serve as models for replication throughout the country. While drawing initially on expertise of USAID consultants, Peace Corps volunteers and U.S. retired executives, the centers are designed to be operated by trained Russians on a self-financing, fee-for-service basis when U.S. funding ends.

(F) Direct Support for Trade and Investment. Direct support for individual commercial ventures is supported primarily through programs of the Export-Import Bank, OPIC and the Trade and Development

Agency (TDA), but USAID also supports investment and trade directly through the Russian-American Enterprise Fund, the Fund for Large Enterprises in Russia and a small loan window managed through the European Development Bank.

(G) Land Privatization and Agricultural Restructuring. U.S. assistance is supporting local pilot projects on land market development to promote secure land tenure and sale of land among private parties -- which are prerequisites to private investment and revenue generation for local governments. Technical advisors are working with Russian counterparts to institute real estate information systems in urban, semi-urban and rural areas to facilitate land titling, registration, transfer, mortgage finance, zoning, and eventually property taxation in those areas where significant privatization has already occurred. Other pilot projects include efforts to foster breakup of privatized collective farms to form more efficient units, to assist city administrations to transfer land rights to privatized enterprises and the sale of enterprises' surplus land holdings, to train real estate practitioners, to develop systems of property taxation, real estate appraisal, and leasing and rental procedures.

(H) Promotion of Efficient, Sustainable Natural Resource Use. Energy assistance is helping Russia develop options for restructuring the electric power industry on a market-oriented basis and for promoting private investment in modern power generation facilities. Work is underway on assessing alternative restructuring options and legal arrangements. Smaller-scale efforts are continuing on helping Russia improve demand-side efficiency.

U.S. environmental assistance supports pilot projects at the regional level to help Russia gain experience in countering the most severe health risks from industrial pollution, reducing urban pollution and managing natural resources such as the Lake Baikal watershed and the Far Eastern forests in ways that promote commercial viability and support long-term biodiversity. These programs emphasize the economic benefits of sound environmental practices and encourage community participation. Local demonstration of such practices will lead to models that can be replicated in other regions.

Indicators. The following is a partial list of provisional indicators measuring progress toward this strategic objective:

- (1) Reduce fiscal deficit from 10% of gross domestic product (GDP) in 1994 (with arrears) to 5% of GDP in 1997 (no arrears);
- (2) Excess wages tax eliminated for foreign companies by mid-1995 and for domestic companies by 1996;
- (3) Law on natural monopolies enacted by end of 1995;
- (4) Securities Commission to promulgate standard procedures and guidelines for share registrars, depositories, and clearing and settlement organizations by end 1995;
- (5) Stockbroker dealer/trader associations in five regions trade 75 or more stocks through electronic trading systems, with full disclosure of price and volume, by end 1995.
- (6) Operations of 16 prototype large-scale privatized enterprises restructured by 1996, having converted their accounting systems to Western standards by end of 1995.
- (7) Proportion of privately-held land increases as buyers and sellers in 13 regions complete transactions on urban, commercial and industrial land by end of 1995 and 20 former collective/state farms in up to six regions are broken up by end of 1995.
- (8) Fifteen percent increase from 1994 to 1996 in number of private firms in (a) local markets once dominated by state-owned enterprises, and (b) international export markets;

- (9) Foreign investment increases to \$10 million in 1995 and \$20 million in 1996; domestic investment increases to \$1 million in 1995 and \$3 million in 1996;
- (10) Power Regulatory Commission registered by mid-1996, and trained and functioning by early 1997.
- (11) Establishment of new environmentally sound and economically viable timber processing/products industries, U.S.-Russian joint ventures in sustainable forestry and small/micro enterprises in indigenous forest communities by 1997;
- (12) Measurable reduction by 1997 in air and water pollution at selected industrial and municipal facilities through use of no-cost/low-cost waste minimization measures.

Progress in 1993-1994. (A) Privatization and Post-Privatization Restructuring. At the beginning of 1992, there were nearly 150,000 non-defense enterprises in Russia, owned by central or municipal government. By the end of 1994, majority share-holdings in 100,000 companies had been transferred or sold to more than 40 million citizens. The implications of this massive transfer of ownership are far-reaching, affecting not only Russians' incentives to work and invest but also altering fundamentally the possibilities for Russian enterprises to draw on the technology and investment capital available in the world market. More immediately, privatization has meant that 50 percent of gross domestic product (GDP) and employment now originate in the private sector. U.S. advisors have also been instrumental in helping to establish the Russian Privatization Center and 10 related regional centers whose task it is to support privatized companies in restructuring to become competitive in a market environment.

(B) Legal and Regulatory Framework for Private Sector Development. In 1993-94, the U.S. provided expertise to assist the reformulation of legal and regulatory codes and structures affecting a range of economic issues. Legal and financial advisors have enabled Russian decision-makers to tap into experience as they draft laws and regulations appropriate to the economic transformation. The Russian parliament has adopted the first part of a new civil code and is actively considering several other key laws that have been developed with U.S. assistance.

(C) Fiscal Reform. Russia made significant progress toward macroeconomic stabilization in 1994 by pursuing an austerity program with the International Monetary Fund that reduced inflation from more than 20 percent a month to 5-7 percent, by restricting monetary growth and credits to unprofitable industrial enterprises and farms. At year's end, Russia's fiscal deficit had declined to about 10 percent of GDP. A tight budget adopted by the Duma and the Yeltsin administration in June 1994 lays out a course for a further reduction to the IMF's target of 8 percent in the next year. While the IMF played the leading role in advising the Russians in areas involving curtailment of fiscal expenditure, U.S. advisors provided complementary assistance on the revenue side.

(D) Capital Markets and Banking. To facilitate mobilization of capital for restructuring and investing in private enterprise, U.S. advisors have worked in several key areas of capital market development. With U.S. help, private stockbroker dealer trading associations were formed in five regions by September 1994. A commission to regulate securities market was established in 1994 to oversee operations of the new capital markets. Guidelines and regulations for share registrars, depositories, and clearing and settlement organizations were substantially established by December 1994. Training in bank supervision and banking functions supported the growth and improvement of Russian commercial banks, which grew from 1,713 in 1992 to 2,294 in 1994.

(E) New Business Development. Private business advisory support centers were established in six regions by the end of 1994. Through these centers, small business experts have helped hundreds of new entrepreneurs with technical and business advice, and U.S. advisors have begun training their Russian counterparts to assume business consulting activities. Over 300 Russian entrepreneurs

participated in business-related training and/or exchanges in the United States by the end of 1994.

(F) **Direct Support for Trade and Investment.** U.S. Government financing and guarantees extended to U.S.-Russian business deals in 1994 could ultimately result in investments topping two billion dollars. Many U.S. Government agencies played complementary roles in this area, with USAID, the Department of Commerce (DOC), the Trade and Development Agency (TDA), the Overseas Private Investment Corporation (OPIC), and the Export-Import Bank (EXIM) each contributing resources.

Two new USAID-sponsored funds -- the Russian-American Enterprise Fund and the Fund for Large Enterprises in Russia -- began operations and made their first investments in 1994, providing equity and debt financing to Russian private businesses and Russian-U.S. joint ventures. USAID resources also capitalized a Small Business Loan Fund administered by the European Development Bank (EBRD). USAID's Commodity Import Program began to finance Russian imports of U.S. equipment in the energy and environmental areas.

The Department of Commerce's BISNIS Center in Washington has provided information on opportunities for U.S. businesses interested in investing in or exporting to Russia and its American Business Centers help U.S. businesses enter the market. TDA has co-financed approximately 50 feasibility studies for investments while OPIC's insurance and financing assistance has been extended to 25 firms, mostly in the energy sector, and is sponsoring establishment of up to three private investment funds.

(G) **Land Privatization and Agricultural Restructuring.** Progress on land privatization in Russia has been slower than that for enterprise privatization, but the Duma began consideration of a basic land code (drafted with assistance from U.S. advisors) and many collective farms were broken up and reorganized as a preliminary step toward full privatization. More than 80 million small plots of land have, in fact, been privatized, mostly in urban and semi-urban areas. A U.S. study of farm reorganization developed models that may be applied to future privatizations, and a new USAID project was designed to address key constraints to farm restructuring -- the need for agricultural credit, for new social service delivery mechanisms for farm families, and for private agribusiness services and suppliers to support commercial farm production.

(H) **Promotion of Efficient, Sustainable Natural Resource Use.** Oil prices continued to be administered but were moved closer to world prices in 1994, with oil and gas wellhead prices increasing from less than 5% of world market prices in early 1993 to about 30% in mid-1994, and comparable increases in retail product prices from less than 25% to 55% of world levels. Natural gas prices for industrial users were indexed to the producer price index in mid-1993. Electric power plant and industrial energy efficiency increased by 30% in plants where technical assistance has been provided by USAID. A nearly complete joint Russian-American study is identifying alternatives to unsafe nuclear energy plants, and is estimating future energy investment needs that could be met by private foreign investors, as well as revenue generating requirements. Collaboration in developing proposals for major restructuring of the Russian electric power sector -- the largest in the world -- began in 1994. Cost-shared gas and electric utility partnerships between U.S. and Russian companies are facilitating the transfer of management approaches needed in a market economy.

Donor Coordination. Cooperation with other donors on assistance to the economic transition in Russia has been extensive, particularly at the sectoral level where U.S. technical assistance is often linked closely to preparation for large capital investment by the multilateral development banks. Some examples include: In tandem with privatization of much of the urban housing stock in Russia, USAID provided an advisor to work with the World Bank to formulate significant post-privatization loan programs intended to develop real estate as an important commercial sector in Russia. USAID-funded advisors also are doing significant analytical work to pave the way for a major World Bank loan in the electric power sector. USAID has provided funding to the European Bank for Reconstruction and Development (EBRD) for lending to small businesses.

Constraints. The principal constraints to achievement of U.S. assistance objectives in economic reform arise from the ongoing debate within Russia on the pace and direction of reform. The practice of setting public policy through democratic processes involving both the executive and legislative branches is new and still fragile in Russia, resulting in potential for dramatic changes of position and direction with the rise and fall of individual leaders. A case in point was the recent appointment and almost immediate dismissal of an anti-reform official to head the key privatization agency. The basic direction of reform was ultimately reaffirmed in that case, which did, however, illustrate its vulnerability to diversion. This episode also demonstrates the importance of working with our Russian partners to strengthen permanent institutions and processes reflecting market-oriented approaches that will survive the tenure of individuals.

#### **BUILDING DEMOCRACY (\$61,000,000).**

So 2. Support the transition to democratic political systems, transparent and accountable governance and the empowerment of indigenous civic and economic organizations that ensure broad-based participation in political and economic life (\$61,000,000).

By giving most Russians a tangible, personal stake in the future of Russia, successful economic reforms will help to maintain the political reforms that have taken place so far. But further strengthening of the nascent democratic systems is needed to ensure completion of the economic transition and to prevent the reemergence of authoritarian abuses that characterized Russia's past. In promoting democratic reforms, the United States recognizes the differences between our two countries and seeks to encourage democracy with a distinctly Russian voice, one heard in elections, in independent media, in grassroots organizations, in courts of law and in local governmental institutions.

Activities. U.S. advisors are working with their Russian counterparts to strengthen basic democratic values in five key areas--elections and political parties, independent media, grassroots organizations, rule of law and local government.

(A) Strengthening Democratic Political Processes. As Russia embarks on the important task of solidifying its new democratic experience through a second round of parliamentary elections in late 1995 and presidential elections in mid-1996, the U.S. is supporting those efforts by strengthening a wide spectrum of democratically oriented political parties and organizations, as well as the election process itself. Political party development and support to advocacy groups such as labor unions focus on building skills in grassroots organizing, coalition-building and public education around key issues.

(B) Developing Independent Media. U.S. assistance helps to broaden citizens' access to news, information and opinion supplied by fully independent, financially viable organizations in both the electronic and print media across Russia. Building on work already achieved in television news, U.S. experts are expanding their focus to include the written press, wire services and production houses. Journalism education and assistance on media advertising and financial management of independent news organs also help ensure freedom from state control. Future programs will focus on developing partnership activities between Russian media organizations and American counterparts; fostering linkages between U.S. and Russian journalism schools; and supporting independent wire services.

(C) Fostering The Rule of Law. Responsible, accountable governance and the rule of law result from laws and institutions that protect citizens' rights and freedoms while maintaining law and order. The U.S. is strengthening judicial institutions through education and training of judges, prosecutors and the private bar, and through a pilot project to reintroduce the jury trial system for the first time since the 1917 Revolution. Reintroduction of jury trials is a major milestone in the shift of Russian criminal justice from an inquisitorial to an adversarial (i.e., burden of proof) system. Legal drafting assistance in criminal and civil law is also being provided. Cooperation between U.S. and Russian law enforcement agencies will focus on combatting organized crime, traffic in illicit arms and drugs, and

other crimes with international implications. Legislative bodies are being strengthened through development of a legislative research entity in the Duma and Federation Council at the federal level, and assistance to regional legislatures will be considered as opportunities arise.

(D) **Strengthening Non-Governmental Organizations.** Citizen participation in public policy debate and community life is a key element of any democracy, and the emergence of a large number of non-governmental organizations (NGOs) in Russia indicates real progress in developing a democratic civil society. Ongoing support to such groups includes a program of micro-grants to local NGOs as well as training for NGO leaders on organizational development and operations, and the conduct of advocacy, outreach and fund-raising campaigns through regional centers where NGOs can come together as consortia. A limited number of "linkage grants" support partnerships between American and Russian NGOs.

(E) **Strengthening Local Government.** The ability of local governments to be responsive to residents is critical to a democratic society. One element of this responsiveness depends on effective and efficient management of public resources. As these capabilities are applied, public policy debates on budget priorities can provide new routes for citizen participation and governmental accountability. These management improvements are being fostered through the municipal finance and management program, with much of the assistance targeted on transparent and accountable budgeting process and on improvement of key services such as ambulance services and public transit, which directly affect people's lives and can thus quickly respond to public demand through management improvements.

Indicators. The following is a partial list of provisional indicators measuring progress toward this strategic objective:

- (1) Legislation and/or regulations enacted by 1995 establishing improved process, timing and independent management system for conduct of democratic elections;
- (2) Legislation influencing political development, such as a law governing the legal standing of political parties, developed and advanced through the parliament by end of 1996.
- (3) 65% of population served by independent, financially sustainable local TV stations in 1997;
- (4) Legislation ensuring independence of judiciary is instituted and implemented by mid-1996;
- (5) Civil/criminal laws and regulations promoting effective court operations, enforcement of judgments, guarantee of right to speedy trial, right to counsel and due process implemented by the end of 1996, and consensus achieved among procuracy, judiciary, investigative organizations and private bar on new roles in the criminal justice system;
- (6) By end 1995, legal information and counselling on NGO rights and responsibilities will be available on a permanent basis through a nationally distributed NGO legal handbook, a legal assistance network of Russian lawyers providing pro bono services to NGOs, and a library of national and local laws affecting NGOs;
- (7) The fairness of the criminal justice system increased through the widespread use of jury trials from 9 regions in 1994 to 14 regions by the end of 1996;
- (8) Municipal finance and management systems in at least five major Russian cities modernized and responsive to citizens by end of 1996.

Progress in 1993 - 1994. (A) **Strengthening Democratic Political Processes.** The successful elections of 1992 and 1993 -- including the referendum on the constitution -- represented Russian voters' first free election experience in nearly a century, and their first ever participation in a universal suffrage

vote. U.S.-sponsored support for grassroots activity in the political arena is expanding on this experience. U.S. advisors have provided training and technical assistance to more than 4,000 political activists from a broad range of democratic parties in over three dozen cities across Russia. Reform of electoral administration is moving forward on schedule, and U.S. technical support is winding down, although some assistance will be provided for the parliamentary and presidential elections scheduled for late 1995 and mid-1996. In the legislative branch, the U.S. Congressional Research Service began work with the state Duma to establish a research unit to support legislators' needs.

(B) **Developing Independent Media.** U.S. assistance has played a key role in raising levels of professionalism in the broadcast media and in breaking the government monopoly on television in many regions. Independent television stations in most of Russia's 100 major cities now cooperate in a U.S.-sponsored programming exchange that is developing into the first nationwide independent television network in the country. U.S. advisors and professionals-in-residence have helped independent Russian newspapers, television stations and other media groups to achieve the business expertise and advertising base needed for true editorial and financial independence. U.S. assistance has also improved independent local news coverage, including election coverage and stories critical of government actions (such as the Chechnya military operation).

(C) **Fostering The Rule of Law.** U.S. assistance has strengthened judicial institutions through training and continuing education for judges, prosecutors, and other legal practitioners, and through an expanded jury trial program. The jury trial program remains a key vehicle in the reform of the whole criminal justice system. President Yeltsin's office recently announced that over 150 jury trials have occurred in nine regions, and that the next step is to extend the model program throughout Russia.

Russia has made significant progress in replacing its outdated civil code and related commercial laws with a more market-oriented rule-of-law legal regime. On January 1, 1995, part one of Russia's new civil code became effective. Prepared with USAID assistance, the code will serve as Russia's legal economic blueprint for many kinds of future economic transactions, trade and investments. USAID will continue to work with the President's office and the Parliament on the next phase of this new code, and with the judiciary on establishing Russian capacity to adjudicate cases involving new laws.

Legislative bodies are being strengthened through development of a legislative research entity in the Duma and Federation Council at the federal level, and assistance to regional legislatures will be considered as opportunities arise.

U.S. assistance has also begun confronting corruption and crime, and developing a fair, impartial, efficient and effective prosecutorial capacity that balances criminal prosecution with citizen rights. Cooperation between U.S. and Russian law enforcement agencies begun in 1994 is combatting organized crime, traffic in illicit arms and drugs and financial crimes with international implications.

(D) **Strengthening Non-Governmental Organizations.** The number of advocacy groups and other grassroots citizen organizations in Russia has grown dramatically, with more than 30,000 such organizations now officially registered. Many of these organizations are beginning to form alliances or networks that will eventually be able to fulfill the key advocacy, outreach and informational functions of citizen groups in a democracy. USAID has supported partnerships between U.S. and Russian non-governmental organizations (NGOs) as well as small grants to local groups including social-service charities, business groups, environmental and human rights organizations. The Eurasia Foundation has also provided significant support to local NGOs.

(E) **Strengthening Local Government.** Decentralization of government functions and of fiscal resource management responsibility is a central feature of the current Russian political scene. This trend was supported by the municipal finance and management program, which provided technical assistance together with training and computer equipment to local governments on a pilot basis in Moscow, Nizhny Novgorod and Vladivostok to develop models for budgetary management. Officials from these

cities have visited the United States to see local government in action, and a number have returned to Russia and begun conducting increasingly participatory public hearings on budget and spending issues.

Donor Coordination. Democracy-building activities are generally outside the purview of the World Bank, although improvement of public administration and legal infrastructure development are included in many Bank country programs, including that for Russia. Work on these issues has thus been closely coordinated with the World Bank, which is developing a new program that will build upon the experience of U.S. assistance efforts. The United States is the leading bilateral donor in this area and is coordinating support for non-governmental organizations with similar efforts funded by the European Union.

Constraints. In this area, the constraints and the targets of assistance coincide in the fragility of Russia's new political institutions and processes. Russian leaders and citizens suffer from the legacies of more than 70 years of communist rule and centuries of autocratic monarchy, and a near-total absence of experience with democratic self-rule. The United States must expect to see difficulties along the path to democracy and must be prepared to lend assistance where invited, while respecting Russian approaches that will inevitably differ from our own democratic traditions in many respects.

#### **SOCIAL SECTOR RESTRUCTURING (\$12,000,000).**

**SO 3. Strengthen the capacity to manage the human dimension of the transition to democracy and a market economy, and help sustain the neediest sectors of the population during the transition period (\$12,000,000).**

Russia's success in managing the human dimensions of political and economic change will have a major effect on the viability and durability of democratic and market reforms. The perception that reforms benefit only a privileged few and harm the social and economic welfare of the average Russian is creating opposition and backlash to fledgling democratic and market institutions. U.S. assistance must therefore help Russia demonstrate that the give-and-take of democracy and an open, market-based economic system can be compatible with adequate delivery of social services and the problems faced by vulnerable population groups.

Activities. Housing and health care services have proven to be critical social concerns for many Russians in 1994 and it is on these areas that U.S. assistance has focused.

(A) Housing Sector Reform. Housing supply and quality in Russia have been adversely affected by competing public sector budgetary priorities and, recently, by severe fiscal constraints. Municipalities, state-owned enterprises and collective farms have long owned and subsidized the rent of millions of units. In many cities, housing costs account for 40% of local budget expenditures, yet a housing shortage continues throughout Russia and available housing is poorly maintained. U.S. assistance supports restructuring and privatizing the housing stock and new construction.

U.S.-supported activities in the housing sector are developing models for the privatization of management and maintenance for publicly owned housing, the sale of real estate through market mechanisms, the movement of rent structures toward full cost recovery, the development of market-based mortgage lending procedures, and the redesign of housing subsidies to target low-income households. In coordination with national and local-level governments, USAID supports initiatives to increase private access to land and housing ownership by improving land allocation and registration (as described above); introducing competitive management and maintenance services; and promoting condominium formation. Real estate professionals are being trained so that, when the legal framework is developed, people with the necessary capabilities will be able to develop a private residential real estate market. Working with municipalities to reduce the fiscal burden of housing subsidies, USAID advisors are providing technical support to a gradual increase in rents toward full cost recovery. U.S.

assistance in this area is mindful of the hardships which vulnerable households will encounter in covering the full cost of their housing.

Assistance in FY 1995-96 will focus on implementing policy reform measures related to each activity. Technical assistance is being provided to develop real-estate brokerage associations. A pilot program to introduce condominium ownership will be ready for replication to over 100 cities in Russia by 1997. USAID is cooperating with government ministries and banks to establish pilot programs for commercial financing and market-based mortgage lending and to develop a regulatory and financial framework for public infrastructure in support of new development. Laws on ownership and registration of land, mortgage laws and municipal finance remain a high priority and require further reform.

(B) Health Care Finance and Service Delivery Reform. Problems impairing the availability, efficiency and quality of health care services, pharmaceuticals and medical supplies in Russia include recent budgetary difficulties, outdated technologies and collapse of the pharmaceutical and medical-products industries. U.S. assistance in health addresses these problems through support for pilot efforts to demonstrate alternative cost-efficient methods of financing health care and directing medical resources toward preventive as well as curative care; support for expanding supplies of safe contraceptives as an alternative to the extensive use of abortion as a family planning method, and of other critically needed drugs; and fostering U.S.-Russian medical partnerships.

USAID's program places particular emphasis on establishing secure supplies of critical pharmaceuticals and medical commodities through support for U.S. private investment in Russian production, improving drug distribution and information systems, and strengthening regulatory capacities. Supporting Russia's own efforts to decentralize and reform health care, USAID is testing pilot regional efforts to demonstrate new financing approaches, market incentives to quality care, and cost-effective outpatient care systems.

A new women's reproductive health initiative will address the problem of very high rates of maternal mortality associated with the repeated use of abortion in the absence of family planning services. U.S. assistance will promote modern family planning technologies and services through demonstration and training centers, as well as public education.

A program of medical partnerships between nine major U.S. medical institutions and Russian counterpart institutions is helping to update clinical and management practices in a range of specializations, including emergency services, neo-natal and pediatric care, surgery and hospital infection control.

Indicators. The following is a partial list of provisional indicators measuring progress toward this strategic objective:

**Housing:**

- (1) Market-rate mortgages accessible to the public through 15 Russian banks by 1997;
- (2) Enactment of legislation clearly establishing private property rights, including fee-simple ownership of land/structures for housing and commercial users by the end of 1996;
- (3) Enactment of enabling housing finance legislation, including a law on mortgages, by the end of 1997;
- (4) Rents for municipal housing at least 80% of full operating costs on average nationwide by the end of 1998;
- (5) Enactment of housing allowance program in the Russian Federation achieved by 1993 (?);

## Health:

- (6) Total hospital days per 1000 population reduced by 15% from 1994 level by 1996;
- (7) At least 4 pharmaceutical facilities producing at least 15 critically needed pharmaceuticals using good manufacturing practices by 1997;
- (8) Working models of consumer choice of primary care providers in each of 4 oblasts in Siberia are introduced by 1996;
- (9) Reduction of abortion use at demonstration sites verified by service statistics;
- (10) Five participating hospitals show recorded decrease in rate of hospital infections.

Progress in 1993-94. (A) Housing Sector Reform. Moscow and other municipalities have made substantial progress in implementing housing reforms by drawing on the models developed with U.S. assistance. Through the work of the long-term resident advisors, major achievements in this area have included the passage of the "Law on the Fundamentals of Land Policy" in Russia. In Moscow, maintenance and management of over 100,000 units has been shifted from the public sector to private firms. A pilot program to introduce condominium ownership and management through condominium associations began in 1994. Initial experience has been highly positive, and the program will be replicated in over 100 cities in Russia by 1997. A land demonstration project in Ekaterinburg transferred municipally-owned land to a private developer through an open competitive process.

USAID has supported the long-term mortgage lending initiative begun by a leading commercial bank on a trial basis in May 1994. A mortgage instrument that takes into account high rates of inflation was specifically designed for Russia. The Association of Mortgage Banks of Russia (AMB) began a series of training courses and a "Mortgage Handbook" publication series.

USAID assistance also led to a Russian regulation in September 1993 stipulating that state housing rents will be raised to cover full operating costs over a five-year period, and requiring governments to implement allowance programs for the needy when rents are raised. A means-tested housing allowance system has been introduced in Moscow and other cities.

A special housing program targeted at Russian military officers demobilized as part of Russia's withdrawal from the Baltic states was funded in 1994, and a pilot program provided units to 450 officers. Construction and provision of housing units a further 5,000 officers got underway in late 1994 and is expected to be completed in late 1996. While initiated by the U.S. President to meet foreign policy objectives, this program has also provided an opportunity to demonstrate private housing construction and ownership. No further funding is anticipated.

(B) Health Care Finance and Service Delivery Reform. The Russian parliament passed legislation decentralizing responsibility for health care delivery and financing, and providing a framework for health insurance. U.S.-Russian medical partnerships that have been underway since 1993 have disseminated new knowledge and practices to Russian hospitals and have established important linkages for continuing medical and nursing education, which are vital to improving the efficiency of the health care system. These partnerships have also emphasized improved administration of health care services. Over 500 health professionals have been trained in the United States through U.S.-sponsored exchanges and training programs. The United States has also helped to improve Russia's health surveillance system, including the start of a longitudinal study aimed at tracking the health of Russia's people during and beyond the period of economic transition.

Donor Coordination. Housing-sector cooperation between USAID and the World Bank has been especially close and productive. The World Bank plans to support a large mortgage financing program

in the future, and is relying heavily on USAID technical assistance in mortgage finance to provide the legal framework and initial "ground-truthing" of this effort.

USAID has been actively involved with the World Bank in providing technical assistance on design teams in health care reform and financing. In addition, USAID is collaborating with the World Health Organization on issues of vaccine security.

Constraints. In the social service sector, the most significant immediate constraint to progress is the severe lack of public financial resources, especially at the local and regional level. While this gives added impetus to the reform process aimed at greater cost-effectiveness and sustainability, in the short term it also increases the challenge of continuing to provide essential services during the restructuring process.

**RUSSIA  
FY 1996 PROGRAM SUMMARY**

USAID Strategic Objectives	
Economic Restructuring	\$187,000,000
Building Democracy	\$61,000,000
Social Sector Restructuring	\$12,000,000
Total	\$260,000,000

USAID Mission Director: James Norris

## SLOVAK REPUBLIC

FY 1996 Assistance to Central and Eastern Europe . . . . . \$32,465,000

Slovakia emerged as an independent nation on January 1, 1993, after power-sharing negotiations between the Czechs and Slovaks led to a peaceful separation of the Czech and Slovak Federal Republic (CSFR) into two states. The new government embarked on economic, political, and social reforms for which U.S. support continues to be critically necessary. Subsequent leadership changes have not led to a fundamental change of course. Supporting a peaceful and sustained transition to market-oriented democracy in Slovakia contributes to the U.S. foreign policy objective of promoting stability, prosperity, and peace within Central and Eastern Europe.

#### The Development Challenge.

After a number of rocky years, during which Slovakia shared many of the same economic shocks as other transforming countries in the region, 1994 showed signs of an economic up-turn. Gross domestic product (GDP) fell about 25% in real terms from 1990-1993, but the recession ended in 1994 with a 3-4% rate of GDP growth. The government continues to follow prudent monetary and fiscal policies, which have resulted in a falling rate of inflation and a relatively low budget deficit. Direct foreign investment has increased, as has the share of GDP produced in the private sector. Average real wages have risen in line with GDP.

The economic picture is not without its sobering side, however. Slovakia carries a particularly heavy adjustment burden, because much of its industrial base was comprised of defense-related enterprises. Many of these and other large state-owned enterprises are heavily indebted to the banking system and to each other, as vain attempts to cope with the initial shocks of collapse of traditional markets compounded a history of old-regime financial laxness. This problem needs to be solved to free capital for investment in viable new or restructured businesses. After initial successes, the privatization effort that began under the CSFR has slowed and become hostage to political conflict. Completing this process remains a key development challenge, as does translating privatization into a strong private sector of competitive, efficient firms.

Unemployment is high at 14.5%, and some regions of the country experience nearly twice that rate. Drawing these high unemployment regions into the general growth path will be an important task for economic policy makers in the near future.

Because of the dislocations caused by the collapse of the old system and the adjustments necessary to accommodate to a market-based economy, social sector restructuring is an important element of the overall adjustment process. Needs include the establishment of unemployment insurance and other safety net mechanisms, the introduction of new and financially viable health insurance and delivery systems and means-tested housing allowances.

While the macroeconomic situation is improving, and steady, if modest, growth appears likely for the next few years, much work needs to be done on democracy-building. The recently elected government has shown some early tendency toward centralizing power. It is, therefore, critical that democratic reforms begun in 1990 continue, that the independent media and judiciary are further strengthened, and that decentralization of economic and political power continue.

#### Strategic Objectives (SOs).

USAID is pursuing the following three strategic objectives in Slovakia.

#### ECONOMIC RESTRUCTURING (\$22,180,000).

SO 1. Foster the emergence of a competitive, market-oriented economy in which the majority of economic resources are privately owned and managed (\$22,180,000).

Privatization remains the cornerstone of the Government of Slovakia's (GOS) economic reforms. The Slovak privatization plan, inherited from the former Czechoslovak federal government, addressed small-scale and large-scale privatization in different ways. The former was successful in both republics, and in January, 1993, over 90% of all Slovak small businesses were in private hands. The privatization of large state-owned enterprises was to occur in two waves. The first wave, administered by the CSFR government, was successfully completed in the fall of 1992 with some 500 Slovak enterprises privatized through a voucher program. The second wave of large privatization is on-going and has been managed by the GOS since independence. Results have been slower and mixed, largely due to significant differences of opinion and approach between alternating Slovak governments. Nonetheless, all major actors express a commitment to some form of privatization, and progress, while not ideal, has not stopped.

Activities. The GOS is receiving U.S. assistance to undertake the second wave of privatization, which involves more than 500 companies. Financial sector assistance focuses on restructuring enterprises and creating a strong banking system, including ways to deal with enterprise debt. USAID encourages the growth of small and medium enterprises (SMEs) by upgrading business skills and addressing legal and regulatory obstacles to SME development. USAID also supports the privatization of the electrical power sector. Other activities meant to improve the private sector environment include training projects aimed at developing a rational land market, including land titling and eventual divestiture of state-owned agricultural land, and working towards the privatization of the national housing stock, presently managed by municipalities.

Indicators. The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) Transaction team to move at least 20 enterprises through the direct sales bidding process during 1995; (2) private agribusinesses increase sales volume by 30% as a result of assistance in marketing strategy development by the end of 1996; (3) land registry systems implemented in 10% of Slovak cities within two years; (4) enactment of mortgage law by January 1, 1997; and (5) 25% of municipally-owned housing units privatized by January 1, 1997.

Progress in 1993-1994. As the first donor to establish a presence in Slovakia, the United States has earned a seat at the table on the key economic issues. USAID staff developed a concept to help the GOS financial restructuring committee deal with the enterprise debt issue. This framework was adopted by the GOS and formed the basis for further discussions with the World Bank and other donors on economic reform. As a senior advisor to the Minister of Economy, a USAID-financed expert was instrumental in shaping Slovakia's industrial policy, which calls for continued emphasis on privatization as the main instrument of restructuring, attracting foreign investment, and the development of capital markets.

One objective of USAID's privatization program is fostering the integration of emerging financial institutions in Slovakia. Given the vital position of the General Credit Bank in the Slovak economy, USAID provides assistance to develop its institutional capability, with the ultimate objective of creating a strong and effective source of credit and corporate financing expertise for Slovak enterprises. Such a resource will enhance the flow of foreign and domestic capital and help accelerate the privatization process in Slovakia.

Donor Coordination. The United States has been very active in coordination with other donors such as the International Monetary Fund, the World Bank, the European Bank for Reconstruction and Development (EBRD), the East European assistance program of the European Union (EU PHARE), and to a lesser extent, the British Know-How Fund in helping Slovakia transform into a democratic market economy. Close coordination among the World Bank, EBRD, and EU is occurring in the USAID-financed reform of energy tariffs, work that is a critical input to both macroeconomic dialogues and the power

sector lending programs of the international financial institutions. USAID continues to play a leadership role in donor coordination.

**Constraints.** Slovakia's inability to access Western markets for some of its products is hampering the growth of certain sectors. While future EU membership may ease certain trade barriers with the Western community, Slovakia's ability to reorient exports towards Western markets is necessary to attract foreign private capital. Clear political will and direction on privatization policy is a sine-qua-non for further success.

#### **BUILDING DEMOCRACY (\$3,525,000).**

**SO 2. Support the transition to transparent and accountable governance and the empowerment of citizens through democratic political processes (\$3,525,000).**

Slovakia has succeeded in establishing the constitutional foundation on which a democratic system rests. With basic freedoms secured, the network of institutions and political organizations within the political structure must now develop the capacity and ability to use these freedoms effectively and responsibly. The institutions are both governmental and non-governmental: the legislative, executive, and judicial branches of government as well as the political parties, the media, and the network of professional, ethnic, or regional organizations that animate and participate in a democratic political process. Some institutions and professions are progressing or adapting more rapidly than others. The judiciary, for instance, appears to be making strides in rethinking its role in a democratic system and in lobbying the Parliament for the additional legislative and regulatory guarantees which it needs to maintain its independence. The media, on the other hand, have difficulty questioning the authority of the government.

**Activities.** U.S. assistance is aimed at strengthening non-governmental organizations (NGOs), decentralizing power, deepening democratic attitudes and values, and encouraging a truly independent and multi-voiced media. This last objective includes efforts to privatize the state press and distribution network, broaden radio and television licensing, and expand training of journalists. Other assistance will help enable locally-elected officials to manage decentralized finances and administer city-owned properties and assets more effectively. Also, a new pilot project will be the basis of a national effort to introduce a "spirit of democracy" in primary and secondary classrooms. USAID will also continue to support an independent judiciary by working with the Association of Judges. A USAID-financed NGO is working at the local level in political party development. A USAID grant provided the Parliament with computer equipment to improve its management and effectiveness. Under a newly awarded grant, NGOs will be able to engage in a wide variety of democracy-building activities.

**Indicators.** The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) Local radio stations create a program and news network by 1995, increasing public access to information; (2) independent press agency exists by July 1, 1996; (3) passage of bill introducing self-governing judiciary by the end of 1996; (4) majority of city parliament plenary sessions open to the public by the end of 1995; and (5) effective parents' associations established in at least one major region by the end of the 1996-1997 academic year to effectively supervise the quality of schools.

**Progress in 1993-1994.** USAID-funded American Bar Association Central and Eastern Europe Legal Initiative advisors persuaded the former government and members of Parliament to propose a bill strengthening the independence of the judiciary. If this bill is passed and enacted into law, elected peer panels of judges will play key roles in appointing and disciplining judges and in managing the nation's courts. The bill establishes the principle of a self-governing judiciary.

Through USAID funding, the International Media Fund provided assistance to a center for independent journalism and in establishing the first private radio station in Central Europe. Also, by providing

desktop publishing equipment, the International Media Fund has encouraged independent newspapers to establish autonomous publishing operations.

Donor Coordination. Privately-funded NGOs, including the Soros Foundation, the Foundation for Civil Society, and Partners for Democratic Change are working to ground Slovakia firmly within the Western tradition of democracy and pluralism.

Constraints. Although the Slovak constitution provides basic freedoms, key sectors still need strengthening. While mayors are elected locally, key decisions are made at the center. Mayors' inability to deliver essential services does not encourage confidence in democratic governance. Indigenous NGOs are under-financed and lack managerial experience. Radio and television broadcasting are tightly controlled by councils responsible to Parliament, and are therefore under the control of the ruling party.

#### Social Sector Restructuring (\$6,760,000).

Strengthen the capacity to manage the human dimension of the transition to democracy and a market economy, and help sustain the neediest sectors of the population during the transition period (\$6,760,000).

Cash transfers to individuals and households amount to 25% of GDP. At the same time, there is a growing recognition that a strategy for transformation to a market economy cannot ignore Slovakia's destitute, sick, and unemployed. U.S. technical assistance has a key role to play in a number of specific areas of social sector restructuring

Activities. USAID, through the Urban Institute, produced a set of housing policy analyses, including a study on housing costs and affordability, and assisted with the drafting of a new Western-style condominium law. In addition, USAID is assisting the Ministry of Labor, Social Affairs and Family in drafting legislation on housing allowances to reduce the strain on the state budget stemming from such allowances, and at the same time, ensure that needy families do not suffer.

A Project HOPE grant enables a pediatric cardiovascular team from the Boston Children's Hospital to conduct training and clinical activities, together with the Bratislava Children's Hospital, in order to establish a high quality pediatric cardiology and cardiac surgery capability. USAID was invited by the interim government to provide assistance to the health sector crisis committee and to help stabilize the health financing system. USAID is providing intensive technical assistance and training to improve hospital management and health care quality at Roosevelt Hospital in Banska Bystrica (the largest hospital in Slovakia) and the regional hospital in Trnava. A conference on hospital management improvement was held in October 1994, drawing hospital administrators from every part of Slovakia. Initial steps were also taken to improve the effectiveness of the Slovak Health Management School in Bratislava in training health sector managers and policy analysts. A new partnership between a U.S. school and the Slovak health management school will be established to train managers in modern health management methods. A new activity is a pilot social sector restructuring initiative in the Detva and Hrinova area in middle Slovakia where USAID is engaged in the only major defense conversion program in the region. The project will test a range of interventions designed to create jobs to minimize the hardships connected with widespread regional unemployment, and to improve the functioning of local health and social services through a "healthy cities" initiative.

Indicators. The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) Means-tested housing allowance system, tied to relaxation of rent controls, instituted by July 1, 1996; (2) at least 80 trained social workers working with the handicapped and poor by end of 1995; (3) pediatric cardiology: by the end of 1995, total number of operations performed since project inception reaches 650, or an average of 10 per week; (4) by the end of 1995: improve client satisfaction and shorten patient stays in 2 hospitals to serve as nationwide models; (5)

by the end of 1995, drug utilization review program and drug formulary installed in model hospital, resulting in lower unit pharmaceutical costs; (6) health management partnership agreement formally recognized and reference library for central European partner established by year end.

Progress in 1993-1994. USAID assistance guided the original framework of the 1993 Housing Privatization and Condominium Law which was voted into law by the Slovak Parliament. The law permits the sale of public housing units to tenants, outlines the framework for forming condominium associations and defines responsibilities for maintenance of the housing stock.

The Project HOPE activity reduced the number of children who must be sent abroad for heart treatment by 90% and began attracting patients from abroad. This project has increased access to pediatric cardiology services by 50%; the hospital mortality rate has been reduced from 12% to 5%; and the waiting time for surgery has decreased as well.

Significant technical advice and policy direction was provided to the Ministry of Health to develop sound hospital payment policies, redesign the administration of health insurance, improve the process of purchasing and distributing pharmaceuticals, and reduce the level of hospital indebtedness.

Donor Coordination. USAID coordinates health sector assistance with the European Union (EU) and the World Health Organization (WHO). The EU provides health training and helps the Ministry of Labor, Social Affairs and Family address unemployment issues. WHO sponsors the National Center for Health Promotion which advances disease prevention.

Constraints. The social benefit schemes to support the elderly, sick, unemployed, and disadvantaged populations are complex, costly, and inefficient. In an effort to reform and improve the system, the government combined pensions, sickness payments, health, and social care for the unemployed in one semi-autonomous agency. This has proved to be ineffective. Creation of a viable mechanism to deal with the social strains of economic transformation is an urgent problem, one that the GOS, with donor assistance as appropriate, must tackle.

#### Other Donor Resource Flows.

According to the Group of 24 statistics, the United States provided about 14% of technical assistance to the Slovak Republic. Other major donors are the European Investment Bank of the European Union, United Kingdom, Austria and Germany.

#### SLOVAK REPUBLIC FY 1996 PROGRAM SUMMARY

USAID Strategic Objectives	
Economic Restructuring	\$22,180,000
Building Democracy	\$ 3,525,000
Social Sector Restructuring	\$ 6,760,000
Total	\$32,465,000

USAID Representative: Patricia Lerner

## SLOVENIA

FY 1996 Assistance to Central and Eastern Europe Request: . . . . . \$ 4,295,000

The most prosperous of the ex-Yugoslav republics, Slovenia has worked hard since independence in 1991 to strengthen its links with Western and Central European democracies. With a democratic system in place and economic reforms under way, Slovenia has the highest per capita gross domestic product (GDP) in Central Europe: over \$6,000. Its economy appears to be in a good position to recover, with gross national product (GNP) and productivity growth following several years of sharp retrenchment. In 1994, the GNP grew at about 4%. Growth in demand has been vigorous and helped to ease the rate of unemployment, which stands now 14.5%, down from 15.4% in 1993. The painful transition to a market-based economy has been impeded by disruptions in trade with its former Yugoslav partners, although some of this trade has been redirected to Western Europe. Slovenia became a member of the United Nations and European Bank for Reconstruction and Development in 1992, and a member of the International Monetary Fund and World Bank in the following year. Negotiations on an association agreement with the European Union began late in 1993.

#### The Development Challenge.

Slovenia has a small and mostly export-oriented economy. It is particularly vulnerable to external market pressures and needs a well-developed and responsive financial system to raise essential capital and other financing for its exporting companies. Legislation on bankruptcy, company structure reform, and public sector reform has been adopted, but privatization has moved slowly, with only 49 of the top 300 Slovene companies currently under private ownership. The Government argues that a radical acceleration of the process could destabilize the country's fledgling money markets. According to a recent European Bank for Reconstruction and Development (EBRD) report, however, the Slovenian economy is still in a very transitional phase, with only 30% of GDP being generated by the private sector (comparatively low for the region), since major privatization has yet to occur. Unemployment at 14.5% is relatively high and would likely rise when privatizations do occur.

USAID's program includes modest levels of technical assistance, primarily in financial sector reform and privatization. Several democracy building projects are also underway, including educational exchanges and assistance to strengthen the independent media. In addition, technical assistance and short-term training support efforts to formulate and implement new Slovene telecommunications legislation. Depending on the findings of a forthcoming strategy review, USAID's limited objectives in Slovenia should be substantially achieved with FY 1996 funding.

#### ECONOMIC RESTRUCTURING (\$4,155,000).

SO 1. Foster the emergence of a competitive, market-oriented economy in which the majority of economic resources is privately owned and managed (\$4,155,000).

The U.S. program is concentrated largely on financial sector reform and privatization, in response to a Slovene government request received in July 1993. The resulting program conforms with Slovene government priorities, as well as with the U.S. Government's desire for a small, tightly-focused program of limited scope and duration.

Activities: The USAID program in financial sector reform began in January 1994 and includes technical assistance to the Bank Supervision Department of the Bank of Slovenia (Central Bank), to the Bank Rehabilitation Agency (BRA), and to Slovenia's largest bank, Nova Ljubljanska Banka (owned by the BRA), in subjects such as bank supervision, regulation, and enforcement. At the Bank Rehabilitation Agency, USAID advisors are working in asset disposition and debt restructuring for those banks carrying heavy debt loads from major state-owned and collectively-owned enterprises. USAID work at the Nova Ljubljanska Banka (NLB) has focused on asset disposition advice to facilitate the eventual

privatization of the bank. We are also considering technical assistance to help develop NLB's, and other Slovenian banks', investment banking capabilities. Short-term U.S. Treasury advisors worked with the Ministry of Finance on development of a government securities market.

USAID is currently looking into the feasibility of working in conjunction with Slovenian banks to establish small business loan programs, with the guarantee of the U.S. Government. A team of USAID specialists will be in Slovenia in February 1995 to begin work on this initiative.

USAID assistance is helping Slovene authorities to formulate a national telecommunications policy and has helped to develop basic telecommunications legislation responsive to consumer and business needs. SEED-funded advisors from the U.S. Federal Communications Commission and National Telecommunications and Information Administration have been working with the Ministry of Transport and Communications on preparation of its long-term telecommunications strategy, a new regulatory regime, price controls, and modernization of the Slovene national monopoly, PTT Slovenia.

Indicators. The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) 10% increase in investment fund assets for investment in privatized Slovenian companies; (2) the volume of loans to small and medium-sized businesses increases by \$6 million; (3) a banking law is passed by the end of 1995; (4) regular and orderly bank examinations are taking place for the three largest Slovenian banks; (5) five companies have been helped to work out their bad loans and launched into the privatization process by the end of 1995; and (6) the Ministry of Transportation & Telecommunications drafts and parliament enacts a telecommunications law.

Progress in 1993-1994. Program results have so far been mixed, reflecting in some part the slow progress the Slovene Government is making in privatizing its banking sector. Some solid infrastructure support has been rendered through USAID technical assistance to the Bank of Slovenia including an off-site supervision system, procedures and experience in on-site examinations, and possibly a more solid banking law. Nevertheless, the start-up costs for this project have been large, with Bank of Slovenia counterparts slow to make optimum use of advisors during the project's early period. USAID technical assistance focused on new Slovene draft telecommunications legislation and on training. USAID-sponsored telecommunications advisors and seminars resulted in key changes to the above-mentioned draft legislation.

Donor Coordination. Consultations with other donors, including the United Kingdom Know-How Fund, World Bank, European Bank for Reconstruction and Development, and European Union PHARE program, are undertaken by USAID to ensure that SEED assistance conforms with the Slovenian Government's highest priorities and is complementary with other assistance activities.

Constraints. Since independence late in 1991, Slovenia has been governed by three democratically elected coalitions in succession. Commitment to policy reform has to be balanced against prevailing public desires to maintain employment and other forms of social security traditionally afforded by the State. Financial sector reform and privatization tend to be viewed by many officials as long-term goals rather than as medium-term processes for attaining free-market reforms.

#### **BUILDING DEMOCRACY (\$140,000).**

**SO 2. Support the transition to transparent and accountable government and the empowerment of citizens through democratic political processes (\$140,000).**

Because democratic institutions are in place, USAID assistance in this sector is very limited, focussing on training and exchanges to promote American ideas and methods.

Activities: Through an inter-agency agreement with USAID, the U.S. Information Agency (USIA) conducts programs in English teaching, media training, and Books for Democracy, and is providing

small grants for training in management and economics. Both USAID and USIA also finance participant training and fellowships to U.S. academic institutions.

Indicators. The following is a provisional indicator measuring progress toward this strategic objective: (1) increased understanding and support for democratic and economic transformation, as evidenced by public opinion polls.

Progress in 1993-1994. As a result of USIA'S independent media training program, one of Slovenia's largest daily newspapers put into effect marketing recommendations and increased both its circulation and its advertising revenue. SEED funding to the International Media Fund provided equipment for establishing Slovenia's first independent television station. This arrangement also enables journalism students at the University of Ljubljana to use the station's equipment and to produce their own shows for airing.

Donor Coordination. USAID representatives meet other donors on a monthly basis to harmonize assistance activities.

Constraints: As a newly independent country, strongly committed to consolidating its independence and democratic institutions, Slovenia can be expected to move prudently, balancing competing institution-building demands in its process of transforming formerly regional bodies designed for local governance into national institutions.

#### Other Donor Resource Flows.

According to the Group of 24 statistics, the United States has provided about 9% of technical assistance to Slovenia. Other major donors are Austria, Germany, Netherlands, and the United Kingdom.

#### SLOVENIA FY 1996 PROGRAM SUMMARY

USAID Strategic Objectives	
Economic Restructuring	\$ 4,155,000
Building Democracy	\$ 140,000
Social Sector Restructuring	\$ 0
Total	\$ 4,295,000

USAID Country Representative: Mary F. Likar

## TAJIKISTAN

FY 1996 Assistance to The NIS Request: ..... \$ 7,000,000

Tajikistan is the sole country among the five Central Asian successor states to the Soviet Union where underlying ethnic, regional, economic, and ideological strains have broken out into open warfare and major population displacements. At the request of the local government, Russia provides troops to guard the southern Tajikistan boundary against incursions from Afghanistan. Unlike most other groups in the region, ethnic Tajiks are a Persian, rather than a Turkic, people. Stalinist-era demarcations, which are now international boundaries, conform poorly to the distribution of Tajik peoples. Geographic isolation, dependence on food and industrial supplies from beyond its borders, the elimination of most subsidies from Moscow, and the collapse of former trading relationships combine to add to continuing concerns about instability, which has important implications for other states in the region.

#### The Development Challenge.

The main development challenge remains to address immediate humanitarian concerns while at the same time laying the foundation for longer-term development. The majority of U.S. and other donor assistance is channelled to vulnerable groups and distressed regions. Limited progress has been made in terms of inter-factional talks, an end to open warfare, and a general return of displaced persons. While there is no guarantee that ongoing peace negotiations will be completed soon, reconciliation has taken place in some areas, and there are opportunities for targeted assistance to have a welcome and positive impact. The assistance program will continue to support and work with known reformers as the country undergoes transition to a more democratic and economically viable and peaceful state.

#### Strategic Objectives (SOs).

USAID is pursuing the following strategic objectives in Tajikistan.

#### ECONOMIC RESTRUCTURING (\$1,000,000).

**SO 1. Foster the emergence of a competitive, market-oriented economy in which the majority of economic resources are privately owned and managed (\$1,000,000).**

As the peace process moves forward in Tajikistan, increasing focus is being given to the country's long-term development needs. Training efforts in the area of economic restructuring have been useful, but now there is a need to follow that up with a macroeconomic policy advisor who can provide follow-through and mentoring for returned participants, coordinate with other donors and act as a catalyst for economic reform.

**Activities.** USAID will provide a long-term macroeconomic policy advisor to the office of the Prime Minister, supplemented by short-term technical assistance and training in key areas related to fiscal and financial reform. FY 1996 activities may also include assistance in developing a basic privatization strategy to support the broader macroeconomic effort.

**Indicators.** Indicators for measuring progress toward this strategic objective are still being developed, but are likely to include the following: (1) introduction of a new currency; (2) passage of laws and regulations in key areas related to macroeconomic reform; (3) evidence of financial stabilization.

**Progress.** A short-term economic advisor provided in 1994 was well received and produced a lengthy report outlining the need for further assistance in a number of key areas. Further follow-up has not been possible thus far, although participants in USAID's exchanges and training program do represent a core constituency upon which further work in the macroeconomic area can build. Tajikistan is the

only country in the region not to have introduced its own currency, leaving its own monetary policy firmly in Moscow's hands.

Donor Coordination. USAID assistance will be coordinated with the International Monetary Fund (IMF) and the World Bank, which are the major donors in economic reform in Tajikistan.

Constraints. The civil war and its aftermath have devastated Tajikistan's economy which has limited resources even in the best of times. The combination of war, continued political uncertainty, and an inability to take important economic reform measures all contribute to the enormous economic difficulties Tajikistan now faces.

#### **BUILDING DEMOCRACY (\$1,000,000).**

##### **SO 2. Establish a means for protecting basic human rights (\$1,000,000).**

The artificial division of the historic Uzbek and Tajik territory in 1924 into two ethnically based republics left Tajikistan with no clear national center. Consequently, distinct sub-national identities were reinforced, undermining development of a national Tajik identity. Other political, social and religious factors have compounded the difficulties of ensuring equitable human rights for all. The lack of established, consistent and enforceable laws has caused additional problems.

On November 6, 1994, a new constitution was adopted and a new president elected. The ongoing civil war prevented some political factions from participating in drafting the new constitution, however, and a successful conclusion of peace talks may result in calls for constitutional revisions.

A new parliament, scheduled to be elected in 1995, faces the responsibility of forging a sustainable consensus on national policy. USAID is prepared to respond quickly, following the elections, by providing technical assistance to Tajikistan in building a stable and workable political order which can accommodate all governing factions.

Activities. Human rights assistance will focus on the constitution, human rights legislation, and election laws. Several small human rights legal resource centers are planned for Dushanbe and elsewhere to provide information to both the public and policy makers, and to serve as sites for seminars and other events. A small grants program for nongovernmental organizations (NGOs) will support groups such as the Association of Young Lawyers, the Children's Fund, and NGOs focused on inter-ethnic relations. Following parliamentary elections in 1995, new initiatives will be developed to support the parliament as a check on executive branch power. If support for revising the constitution is requested in the context of peace negotiations, USAID will respond with short-term advisors and training related to constitutional development.

Indicators. The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) election procedures meet acceptable international standards; (2) free and fair elections held at all levels of government; (3) number of NGOs working on human rights abuse and anti-corruption investigatory functions increased; (4) percentage of citizens aware of and able to access human rights information programs increases.

Progress in 1993-1994. Progress toward this objective has been limited. The International Foundation for Electoral Systems, under a grant from USAID and at the request of the government of Tajikistan, provided pre-election assistance and election monitoring. This was undertaken somewhat reluctantly, however, as the presumption was that the elections would be flawed, a presumption that was borne out by all observers.

Donor Coordination. USAID coordinates its activities with those of other groups such as the Organization for Security and Cooperation in Europe (OSCE), the International Committee of the Red

Cross (ICRC), the United Nations High Commission on Refugees (UNHCR) and others which are interested in promoting human rights in Tajikistan. Parliamentary and constitution development activities will be coordinated with interested donors.

Constraints. There is no history or experience for democratic elections in Tajikistan. The political conflict is compounded by human rights abuses and exacerbated by inter-ethnic tensions.

#### HUMANITARIAN/SOCIAL SECTOR RESTRUCTURING (\$ 5,000,000).

SO 3. Strengthen the capacity to manage the human dimension of the transition to democracy and a market economy, and help sustain the neediest sectors of the population during the transition period (\$5,000,000).

(A) Emergency and humanitarian response.

USAID programs focus mainly on responding to emergency and humanitarian needs stemming from the civil war and its aftermath. The need for food and medical emergency information is great in Tajikistan, particularly in the south. Until the crisis situation is resolved, serious long-term programs aimed at social sector reform cannot be undertaken.

Activities. USAID funds an array of emergency relief activities involving international organizations and a number of U.S. private voluntary organizations (PVOs). Activities focus especially on the provision of food.

Indicators. The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) food and other emergency supplies successfully delivered to targeted beneficiaries in a timely manner.

Progress in 1993-1994. Outside observers confirm significant progress in areas most affected by the civil war. In particular, refugees are returning, and reconciliation is occurring, at a local level. In the absence of a USAID-funded humanitarian relief program, many more refugees would almost certainly have remained in Afghanistan, and the process of reconciliation would have advanced much more slowly.

Donor Coordination. USAID works closely with international emergency relief organizations, including UNHCR and ICRC. All groups involved in the relief effort meet weekly under United Nations auspices to review the security situation and coordinate implementation.

Constraints. Uncertainty over the peace process and the unpredictability of possible future fighting, make humanitarian and relief programs of this kind difficult.

(B) Improving the efficiency and quality of health services.

Training and limited technical assistance is being provided, with a view toward addressing Tajikistan's enormous long-term problems in the health sector.

Activities. USAID is supporting local and U.S.-based training in health-care finance, pharmaceutical management, epidemiology and disease surveillance, and women's health and family planning to begin addressing longer-term health system needs. A partnership with an American hospital will soon be established which will focus on improving maternal and pediatric care. The Centers for Disease Control and Prevention will be providing technical assistance to the government to improve public health surveillance systems and response to disease outbreak. Technical assistance will be provided to support sustainable childhood immunization services.

Indicators. The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) improved health and clinical information systems developed at the national and oblast levels for health care planning use; (2) more effective responses of the public health system to outbreaks of specific diseases; (3) contraceptive prevalence rate increased; and (4) increased number of local-level health care facilities using, on a consistent basis, quality assurance procedures and systems.

Progress in 1993-1994. Participants in USAID-sponsored training programs have since been active in drafting sections of a new health plan. USAID funding ensured high-level participation at the International Conference on Population and Development, held in October 1994 in Cairo. USAID-supported training programs have helped prepare the groundwork for in-country technical assistance in health care reform and the modernization of reproductive health practices to reduce the high levels of maternal mortality and reduce abortion prevalence. Participants in a course in lactation management have begun holding in-country courses for physicians.

Donor Coordination. USAID is by far the most significant bilateral donor in Tajikistan. Ongoing activities are coordinated with other donors, especially as efforts are made to ensure that emergency health-related programs begin to address more long-term concerns. USAID has played a predominant role in establishing the Interagency Immunization Coordinating Committee which is the framework for coordination of donor support in immunization delivery and disease control activities in the New Independent States.

Constraints. Uncertainty over the pace of the peace process and resolution of the internal security situation continues to cause problems. The enormous devastation caused by the civil war will continue to impede the effective delivery of social services even after the fighting is over.

#### Other Donor Resource Flows.

According to statistics from the Development Assistance Committee of the Organization for Economic Cooperation and Development, the United States provided about 55% of all official development assistance to Tajikistan in 1993. Other major donors are the World Food Program (United Nations), the Economic Development Fund of the European Union, Netherlands, and Germany.

#### TAJIKISTAN FY 1996 PROGRAM SUMMARY

USAID Strategic Objectives	
Economic Restructuring	\$ 1,000,000
Building Democracy	\$ 1,000,000
Social Sector Restructuring	\$ 5,000,000
Total	\$ 7,000,000

USAID Regional Mission Director: Craig Buck

## TURKEY

FY 1996 Economic Support Fund Request: . . . . . \$100,000,000  
 FY 1996 Development Assistance Fund Request: . . . . . \$5,400,000

Turkey is a close and valued ally of the United States. It occupies a strategic location between Eastern Europe, the Middle East and the New Independent States of the former Soviet Union, and is a key member of the North Atlantic Treaty Organization (NATO). The United States has an interest in encouraging and supporting the growth and stability of a western-oriented Turkey following sound, free-market and democratic policies.

#### The Development Challenge.

The United States has not maintained a full-scale bilateral program in Turkey since the mid-1970s. The country achieved an advanced standing in the developing world at that time and has continued to modernize. Nevertheless, the economic situation, while at times experiencing dramatic growth, has been unstable, rife with internal structural problems resulting from state intervention and bloated government bureaucracies. Economic problems are further exacerbated by excessive population growth, fueled by heavy rural to urban migration and relatively low prevalence of modern contraceptive usage. In recent years, the country has faced the challenges of the Persian Gulf War, and the repercussions resulting from economic sanctions and the humanitarian operation in neighboring Northern Iraq. Turkey also is encountering a separatist and terrorist campaign within the country. There is continued concern about the human rights situation in the country.

#### Strategic Objectives (SOs).

USAID pursues two strategic objectives. In addition, USAID will finance an activity which addresses human rights problems, such as victims of torture.

#### ECONOMIC GROWTH (\$100,000,000)

##### SO 1. To encourage economic growth and restructuring (\$100,000,000).

Turkey is a key ally and plays an important role in the region. While peace prospects have improved in some parts of the Middle East, hot spots are evident throughout the Caucasus, Central Asia, Cyprus, Iraq and Iran. In addition, the Government of Turkey (GOT) must take more drastic steps to reform the economy, for example, through full-scale privatization and reduced government expenditures. These significant changes in the economic system require international financial support to ease the burden.

Activities. USAID provides an Economic Support Fund (ESF) cash transfer to support the GOT's economy.

Indicators. The United States monitors progress of Turkey's economic and political reform program. The provision of funding has not been explicitly linked to an economic reform agenda. Therefore, no specific indicators have been established.

Progress in 1993-1994. Turkey has forged stronger relations with Israel and has become a more important partner in the peace process. This relationship with Israel has burgeoned into plans to provide technical assistance and training to Central Asian republics. The GOT continues to be a linchpin in the humanitarian operation in northern Iraq. The government undertook its most extensive economic reform effort in recent years. While achieving initial success in reducing inflation, increasing exports and liberating some segments of the economy, the overall program floundered in the fall of 1994. This resulted from the lack of real structural reform and the inability to maintain austerity

targets.

Other Donors. The International Monetary Fund (IMF) and World Bank have provided standby and project loans to the GOT to encourage and reward major economic reform measures. The United States consults with all donors to assure each conveys similar messages, particularly on the reform agenda.

Constraints. The instability surrounding Turkey and the internal civil strife distract the government from major economic reforms. Growing religious conservatism could make reform more difficult.

#### STABILIZING POPULATION GROWTH (\$5,400,000).

SO 2. To increase availability and effective use of quality family planning and reproductive health services; and to improve Turkey's self-reliance in family planning and reproductive health by enhancing the public and private sector ability to meet consumer demand for these services independent of USAID support.

Population issues are developing into a major priority of the GOT, given that its current population of almost 61 million is expected to double by the year 2025. Surveys show that Turkish couples use less reliable traditional methods. Modern contraceptive prevalence, while increasing, is just approaching 35%, which is below countries such as Bangladesh and Egypt. The government has not taken an active role in implementing policies supporting modernization of family planning, nor has it provided sufficient funding. USAID donates approximately 90% of all GOT contraceptive commodities. However, in FY 1995, USAID begins implementing a 5-year phase-down strategy to promote Turkish private and public resources taking its place.

Activities. The recent U.S.-approved population strategy for Turkey for 1995-1999 includes the following activities: (1) USAID will strengthen the GOT policy environment, forge ties among private firms, and facilitate NGO participation; (2) USAID projects will train counselors and care providers to improve the quality of services and depth of knowledge; (3) USAID will seek to expand access to services by integrating them into existing health care delivery networks; and (4) on a decreasing scale, USAID will provide funding for contraceptive commodities.

Indicators. The following indicators measure achievement of this objective: (1) implementation of a national family planning program; (2) modern contraceptive prevalence up to 45% in five years; (3) better mix of methods available; and (4) the private sector becomes the source for 75% of non-clinical modern contraceptives.

Progress in 1993-1994. The program, implemented by a number of U.S. cooperating agencies, saw many gains. Family planning training has been integrated into eight university teaching programs, midwifery and nursing schools, as well as the Ministry of Health in-service family planning sites. The Ministry adopted the first-ever national family planning guidelines and operates model family planning clinics throughout the country. The Ministry of Health and the social security organization (an insured health provider) agreed to begin purchasing contraceptives. The United States is working with the cooperating agencies to foment more synergistic implementation and sustainable impacts. The newly adopted strategy, which includes a five-year phase-down approach, will provide important guidance and impetus for results.

Donor Coordination. The United Nations Fund for Population Activities and the International Planned Parenthood Foundation support activities in less developed areas and with indigenous organizations respectively.

Constraints. Instability along several borders, and an unstable economy undermine efforts to encourage the GOT and the private sector to focus on family planning. Opposition from religious

conservatives could pose problems in rural and marginal urban areas.

**TURKEY**  
**FY 1996 PROGRAM SUMMARY**

USAID Strategic Objectives	
Economic Growth	\$100,000,000
Stabilizing Population Growth	\$5,400,000
Total	\$105,400,000

USAID Office Director, Office of European Country Affairs: Peter Orr

## TURKMENISTAN

**FY 1996 Assistance to the NIS Request: . . . . . \$ 4,000,000**

Turkmenistan remains a resolutely one-party state, with power invested in an old-line communist, turned nationalist, leader. With a small population supported by rich gas fields, additional revenue from cotton, and petroleum in reserve, the government has perceived few compelling reasons to undertake the wrenching economic reforms necessary to become a market democracy. The principal problem with Turkmenistan's economic strategy is that gas pipelines lead only to other former Soviet states which have largely ceased payment for Turkmenistan's gas. Alternative openings to Iran for transport and access to wider markets is popular neither with the government of Turkmenistan nor with Western interests. Such an opening may eventually prove necessary but is not likely to forestall an economic slide and, with it, pressures for political change.

U.S. interests in Turkmenistan include encouraging democratic and market reform by exposing policy makers, and potential reformers in particular, to the wider commercial and political world. U.S. interests are also served by introducing U.S. technology into Turkmenistan.

**The Development Challenge.**

Turkmenistan is a country with vast natural resources and a small population. Its financial stability has helped to ensure a relatively easy transition from the Soviet economy. Fearful that its poorer, more militant neighbors may seek to appropriate its resources, Turkmenistan has sought to strengthen bilateral ties with Turkey, Iran, Russia, and other Central Asian Republics, as well as with Western countries. This "internationalist" posture opens avenues for foreign investment.

Turkmenistan's leadership demonstrates firm authoritarian control, with little evidence of legal reform, formation of independent social and political organization, establishment of a free press, or creation of an independent parliament and judiciary. Strong diplomatic backing will be needed to make progress in the protection of basic human rights, and in facilitating the emergence of grassroots social and political organizations. The new legislature does include jurists who have demonstrated a commitment to reform. Turkmenistan has virtually none of the political unrest found in many other NIS republics. Cushioned by its natural gas reserves, Turkmenistan has thus far not experienced the sharp decline in living standards characteristic of so much of the rest of the region. Nonetheless, the effects of the Aral Sea disaster and lack of progress in key social sectors such as health, point to areas where USAID involvement can make a difference. U.S. assistance is also intended to keep the door open to change and influence from the outside world.

**Strategic Objectives (SOs).<sup>1</sup>**

USAID is pursuing strategic objectives in Turkmenistan related to democratization and social sector restructuring.

**BUILDING DEMOCRACY (\$ 2,000,000).**

**SO 1. Improve the understanding of and demand for human rights; establish and build the capacity of nongovernmental organizations that focus on public interest issues (\$2,000,000).**

There is little indication that the Government of Turkmenistan will show receptivity to any social or political reform in the near future. A long-range view, with readiness to meet opportunities for improvement of human rights and provide technical assistance, must be taken.

Indigenous NGOs can potentially provide an important avenue of information and opportunity for citizens to more actively and effectively participate in the political and economic life of their country,

but few NGOs have been organized in Turkmenistan. Particular opportunities for NGO development may arise out of new Peace Corps initiatives, such as the recent establishment of women-in-development groups.

**Activities.** USAID training and related activities concentrate on building a new generation interested in democratic values. USAID will work to encourage development of the legal infrastructure for the registration and operation of nongovernmental organizations (NGOs). A regional small grants program will take special notice of opportunities to help establish grassroots NGOs in Turkmenistan, especially in the area of human rights. Support will be provided through organizational advice and assistance. Turkmenistan's participation in regional human rights conferences and in training seminars is also a priority.

**Indicators.** The following is a provisional indicator measuring progress toward this strategic objective: (1) increased number of NGOs involved with public interest issues.

**Progress in 1993-1994.** The USAID program has helped expose officials from Turkmenistan to Western views attached to human rights and other democratization issues. Substantial progress in this area has not been achieved to date. The NGO sector is at a very early stage of development in Turkmenistan. USAID-supported NGO activities are just getting under way.

**Donor Coordination:** USAID is the only donor involved in democratization activities in Turkmenistan.

**Constraints.** Change is slow in coming to Turkmenistan, and large segments of the old Soviet system remain intact. The very notion of an NGO is an alien concept. The Government of Turkmenistan has not yet demonstrated a commitment to guaranteeing human rights for its citizens. Without political will, human rights improvements will be difficult to achieve.

#### **SOCIAL SECTOR RESTRUCTURING (\$2,000,000).**

**SO 2. Strengthen the capacity to manage the human dimension of the transition to democracy and a market economy, and help sustain the neediest sectors of the population during the transition period (\$2,000,000).**

Modest activity related to health and family planning is exposing professionals in Turkmenistan to new approaches and new ways of doing business. Although seemingly modest, this represents an important development in a country which has long been isolated from the rest of the world. The Turkmenistan segment of the Aral Sea program also is substantial, involving both a local demonstration project and involvement in regional policy-related activities.

**Activities.** The American International Health Alliance (AIHA) hospital partnership has provided a welcome window to a wider world. Turkmenistan has been involved in regional activities related to family planning and health financing. Due to budget limitations, U. S. health care finance, partnership and family planning activities will be phased out. Turkmenistan's share of the Aral Sea program is significant and includes installation of new technology which should provide potable water for nearly 100,000 local people. The Centers for Disease Control and Prevention will be providing technical assistance to the government to improve public health surveillance systems and response to disease outbreaks. Technical assistance will be provided to support sustainable childhood immunization services.

**Indicators.** The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) increased number of households with access to potable water in selected cities in the Aral Sea region; (2) decreased volume of water used for irrigation in the Aral Sea region; (3) toxic substance monitoring system in selected Aral Sea areas established; and (4) improved health surveillance system and response to disease outbreaks.

Progress in 1993-1994. Access to potable drinking water remains a problem in areas of Turkmenistan. The USAID-assisted Aral Sea program is well under way, with equipment for potable water systems nearly in place.

Donor Coordination. Donor activity in Turkmenistan is limited, but USAID shares details of its program with other donors whenever possible. USAID has coordinated closely with the Japanese, for example, in strengthening immunization and cold chain capability in Turkmenistan. USAID has played a predominant role in establishing the Interagency Immunization Coordinating Committee, which coordinates donor support in immunization delivery and disease control activities in the NIS.

Constraints. As noted, few changes have been made since independence. New technology is welcome, but more decentralized and market-based approaches are difficult to explain, given long years of isolation from more accepted international practices.

**Other Donor Resource Flows.**

Statistics on donor resource flows in Turkmenistan are not available from the Group of 24 or the Development Assistance Committee of the Organization for Economic Cooperation and Security.

**TURKMENISTAN  
FY 1996 PROGRAM SUMMARY**

USAID Strategic Objectives	
Economic Restructuring	\$ 0
Building Democracy	\$ 2,000,000
Social Sector Restructuring	\$ 2,000,000
Total	\$ 4,000,000

USAID Regional Mission Director: Craig Buck

## UKRAINE

FY 1996 Assistance to the NIS: . . . . . \$ 159,000,000

After having made little progress toward economic and political transformation during the years since independence, Ukraine has now begun the process of serious structural reform, with the strong and coordinated support of multilateral and bilateral donors. The United States has been a leader in encouraging Ukraine's transition to a market-oriented democracy, given the country's strategic location between Russia and the rest of Eastern Europe and the enormous productive potential of this large and populous land. U.S. national security interests are served by strong ties with Ukraine, one of four of the new independent states (NIS) of the former Soviet Union to inherit nuclear weapons. In 1994 Ukraine continued to transfer its nuclear weapons to Russia and ratified the Nuclear Non-Proliferation Treaty.

#### The Development Challenge.

With abundant natural and human resources, the challenges for Ukraine are to retool its economy to respond to market forces, create a new social safety net, and foster civil institutions appropriate to the requirements of a democracy. Putting off critical reform has left Ukraine with all the problems associated with a failed economy, without any of the gains it would now be accruing if reforms had been implemented earlier. Production inefficiencies are compounded by the breakdown of traditional management, disrupted trade patterns, and outdated skills. With output down, immense fuel import requirements have overwhelmed dwindling government revenues, exacerbating Ukraine's balance-of-payments problems and making the prospects for early closure of the outdated Chernobyl nuclear power plant highly unlikely. The impact on the Ukrainian people has been severe as they face lower levels of employment, income, social services and general standard of living, leaving them with diminished ability to maintain their basic health and well-being.

What is critical for Ukraine's future is the ability of the Ukrainian Government to carry out the ambitious reform program it has embarked upon and the willingness of the donors to continue to support the implementation of these reforms. We have already seen early indications of progress on a number of fronts, including privatization, land reform and energy sector reform, with a number of other programs beginning to reap promising results. USAID plans to continue its leadership role in encouraging and supporting these reforms with the objective of enabling the Ukrainian Government and citizenry to create an environment in which a market economy and democratic political system can flourish.

#### Strategic Objectives (SOs).

USAID is pursuing the following three strategic objectives in Ukraine:

#### ECONOMIC RESTRUCTURING (\$126,000,000).

**SO 1. Foster the emergence of a competitive, market-oriented economy in which the majority of economic resources are privately owned and managed (\$126,000,000).**

Ukraine is faced with the daunting task of transforming its moribund command economy into one that is competitive and market-oriented. During this critical transition period, USAID is assisting Ukraine to put in place a sound framework for business and investment by strengthening the institutions that create a market economy. The following USAID activities target strategic areas to advance the viability of the emerging system and ensure its sustainability.

Activities. The following activities are underway or planned:

(a) Privatization and Capital Markets. USAID is working at both the local and national levels to assist Ukraine in transferring state enterprises, land and real estate to private ownership, and to improve the understanding of how markets function. This includes: (1) helping to identify and implement effective strategies to promote popular participation and interest in privatization; (2) technical assistance in structuring and implementing the mass privatization program; (3) support for the development of institutions, legislation, and market structures needed for competitive capital, land and real estate markets that will drive the process of economic restructuring; (4) wide dissemination of information on market reform and training on economic issues for key individuals; (5) assistance with pilot market activities such as land auctions and tenders, pilot condominium housing ownership, and regulatory activities such as zoning, land titling, recording and registration systems; and (6) help in competitive contracting of municipal services to private vendors. Housing and communal services privatization activities constitute an integrated program involving demonstrations and policy development dealing with land, housing, real estate and related services at the local level.

(b) Financial Sector Reform. USAID's program concentrates on enhancing Ukrainian capacity to develop a viable financial sector, including the establishment of a banker training institute and the provision of equipment and technical assistance to strengthen Central Bank operations. In municipal finance, USAID is introducing modern, computer-based, financial management systems and practices. Also, new USAID work will soon begin with communal services (public utilities) to establish real-cost pricing, enterprise-based budgeting and accounting practices, and management efficiencies.

(c) Energy and Environment. In conjunction with the Group of Seven Energy Action Plan, USAID is providing technical assistance to Ukraine to support energy sector restructuring, increase energy efficiency and reliability, and improve domestic fuel resources and nuclear safety. USAID activities specifically support: (1) the restructuring of the power sector, including the development of a legal, regulatory and tariff framework and the corporatization of thermal power generation companies; (2) the introduction of low-cost technology investments for Kiev power-heat plant #5; (3) energy audits and efficiency equipment for industry plants, buildings, and power-heat plants; (4) the demonstration of electricity demand-side management; (5) assistance leading to improved utilization of domestic energy resources; and (6) an improvement in the operations and safety of nuclear power plants. In the environmental sector, USAID is helping Ukraine to restructure its environmental management to meet the needs of a market democracy, including pilot technology demonstration projects, water resource management, strengthening nongovernmental organization (NGO), public information and participation programs, and improving environmental information for decision-making.

(d) New Business Development and Support for Investment. Through programs now getting underway, USAID will provide assistance for the development of regional business support centers and an information network to foster the emergence of private business structures which can operate successfully in a competitive domestic and international market environment. USAID will assist with mass production and dissemination of training materials on new business start-up and operation. USAID also will fund local partnerships of government and business entities working on policy and regulatory changes favorable to business and investment. The USAID-funded American business center will open operations in Kiev in the spring of 1995, and will serve as a hub for contacts between American and Ukrainian businesses. Related to these activities is the recently established West NIS Enterprise Fund to invest in or loan to new and privatized Ukrainian businesses and joint ventures with American firms. A number of other activities, such as the Farmer-to-Farmer program, Peace Corps, Eurasia Foundation, the International Executive Service Corps and the agribusiness partnership program are assisting Ukrainians in business development, many of them with American expertise provided on a voluntary basis.

(e) To support new commitment to reform, USAID will provide funds for structural reform support to enable the United States to support, on short notice, the efforts of countries embarking on programs of comprehensive economic restructuring. The USAID-funded assistance will likely take the form of commodities, commodity transport, and trade or investment credits that can be counted toward filling

balance-of-payments gaps as these new reformers come to terms with the IMF or World Bank on structural adjustment loans. United States contributions to this process are critical in influencing other bilateral donors to participate and can greatly influence the commitment of NIS republics to embark on comprehensive economic reform. Ukraine is among the countries most likely to qualify for these funds.

**Indicators.** The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) privatization of 3000 medium and large-scale enterprises by the end of 1995; (2) privatization of 50% of small-scale businesses by the end of 1995; (3) 60% of citizens nationwide demonstrate knowledge about the basic principles of open market economies; and (4) two self regulatory financial organizations are established and operating; (5) a power generation wholesale tariff market system is in place by late 1995 and generation purchase prices are at a competitive level by mid-1996; (6) a national energy regulatory commission is established by late 1995, and is trained and fully functioning by early 1996; (7) enforcement of nuclear safety standards is demonstrated consistently by the end of 1996; and (8) establishment of clear legal rights to private land and housing ownership and establishment of regular programs of land disposition, privatization of management and condominium ownership in at least four major representative cities.

#### Progress in 1993-1994.

(a) Privatization and Capital Markets. The Government of Ukraine (GOU) has finally made the commitment to move forward with the privatization of 8,000 medium and large enterprises, as well as essentially all small-scale enterprises by the end of 1995. USAID helped to pave the way for this breakthrough by encouraging reform through policy dialogue, assisting in the development of a framework for mass privatization, printing and delivering about 50 million privatization certificates for citizens of Ukraine to participate in this process, supporting a public education campaign, and providing a number of training programs to educate Ukrainian officials and the public about privatization and market reform. As the process progresses, USAID will be working to help ensure a smooth and efficient transition to private ownership of business, as well as to implement critical post-privatization assistance to promote the commercial viability of enterprises.

In land privatization, USAID has been party to events of historic significance as successful land auctions have been held in four cities, with a growing number of additional cities expressing interest. Auctions encourage efficient use of land based on market principles, promote private investment in land and creation of a private real estate market, generate revenues for social and infrastructure purposes, and eliminate corruption in the land allocation process. USAID advisors working with the city of Chernigiv helped develop a city land use zoning system which represents a major break with central planning practices for urban real estate. On a related front, USAID assistance to a government land task force has resulted in the near completion of a new set of draft laws to establish a comprehensive right to private property in land. In housing privatization, the draft national law on private condominium ownership for multi-unit buildings was completed. The first seven buildings were converted to private condominium ownership in the city of Kharkiv and included ownership control of both residential and commercial space.

Regarding the privatization of municipal services, up to 12 cities and some oblasts are undertaking competitive award of bus routes to private vendors who will use private transport vehicles to service new routes or under-served traditional routes, charging market prices. Three cities have undertaken competitive award of housing maintenance contracts to the private sector. U.S. study tours completed in 1994 have had great success in furthering municipal officials' understanding of market-economy principles and institutions.

(b) Financial Sector Reform. The USAID-funded National Center for Training of Bank Personnel, the first of its kind in the NIS, opened in January 1994 with a curriculum of 19 advanced courses in commercial banking and specialized subjects for the Central Bank. By the end of the year, professional

training had been provided to nearly 900 bankers from more than 90 banks throughout Ukraine. In addition, USAID has provided advisors to work with the Bank to establish policy analysis and research capability, and with the Ministry of Foreign Economic Relations to assist Ukraine with accession to the World Trade Organization (WTO). On local government issues, USAID advisors worked with the State Committee on Housing and Municipal Economy to establish a schedule of price increases for communal services approaching costs of production.

(c) Energy and Environment. USAID financed the technical assistance that led to the planning and funding of power sector restructuring formally agreed to during President Kuchma's state visit to Washington in November 1994. A \$72 million energy sector grant was provided to the government to support broad economic and energy sector reform. The Ukrainian government established an independent National Energy Regulation Commission and developed a mechanism for adjusting electricity tariffs. Progress has been made in energy efficiency activities: (1) energy audits have been launched and energy efficiency equipment provided to five major industrial enterprises and power-heat plants; (2) low-cost technology investments have been introduced at Kiev power plant #5 with annual savings of more than \$250,000 in fuel costs; and (3) USAID-financed ion-exchange resins and equipment have served to enhance the reliability, efficiency and environmental soundness of the plant's water treatment facility. Some of the USAID-funded local environmental initiatives have produced nationwide results. For instance, a grant to the Union of Salvation from Chernobyl resulted in a community network of over 700 volunteers to measure radiation in water, soil and food products, and the establishment of 57 independent operational monitoring stations across the country. In the environment sector, work is proceeding to complete a pipeline which will provide potable water to over 50,000 Tatars in the Crimea and to improve water and air quality in selected regions of the Ukraine.

(d) New Business Assistance. The West NIS Enterprise Fund recently inaugurated programs for direct investment and small business lending operations in New York and Kiev. The Fund is proceeding to set up storefront operations for small and micro-lending and is working with other institutions to ensure maximum impact. The Fund's direct investment program is targeting three sectors: food processing and agribusiness, construction materials, and furniture production. Over 100 proposals for investment and lending have already come in and are being assessed. Progress has continued on the American Business Center in Kiev which will open this spring, serving as a hub for contacts between American and Ukrainian businesses.

Now well underway, the agribusiness partnership program has begun to reap benefits. For example, work done under the Monsanto-Beshevsky partnership has led the oblast government to take the lead in enlarging this input supply operation to include all farms in the area. Investments by Cargill are leading to improved quality of seed production which will result in better yields of Ukrainian food crops such as sunflower seeds and corn.

Donor Coordination. Negotiations with the GOU over the structure and extent of Ukraine's mass privatization program have evidenced unusually close and successful coordination between USAID and the World Bank. In early 1994, the two organizations developed a common position on reforms needed to assure success of a program that, as originally conceived and designed by the Ukrainians, was unwieldy and unattractive to the public. The unwillingness of the GOU to change the program placed a premium on collaboration between donors to effect change. USAID and the Bank jointly negotiated through the year for introduction of a paper certificate, and for much simplified and streamlined procedures for the preparation of enterprises, as well as auction processing. These efforts culminated, at the end of 1994, in the GOU agreeing with the proposed reforms. The immediate result will be the launching of mass privatization auctions by February 1995, with a target of 8,000 enterprises privatized by the end of the year.

USAID provided grants to Ukraine to fill the balance-of-payments gap in late 1994 which helped to pave the way for the International Monetary Fund's (IMF) systemic transformation loans to Ukraine. Furthermore, USAID and the World Bank have coordinated closely and effectively in supporting

comprehensive energy sector reform in Ukraine. By stipulating the same conditions before disbursement of respective assistance, the Ukrainian Government's decision to establish price reforms and a regulatory commission, that will support and enhance the effort to corporatize power generation, was reinforced. Other donors, including European Bank for Reconstruction and Development (EBRD), European Union (EU), and United Kingdom (UK), also participated in the collaborative effort.

USAID has concluded discussions with the World Bank leading to collaboration during 1995 in the design of a municipal revolving loan for housing. This program would allow local governments to fund the construction of much needed new housing as well as the rehabilitation of existing housing, with a parallel goal of creating a competitive market environment for private developers.

**Constraints.** Without changes in tax laws and administration, there is limited opportunity for development of a strong and stable domestic private business sector. The current tax laws represent a heavy burden, change frequently, and are confusing, contradictory and inconsistent in their administration. They offer few incentives for the development of small and medium-sized businesses, and there is high incidence of tax and other regulatory avoidance. Furthermore, unless the reform efforts begun at the macroeconomic level continue, and some basic changes are made in the policies and laws affecting banking, development of the financial sector will be slow and bankers' training will have limited immediate impact on the effectiveness of financial institutions in Ukraine.

#### **BUILDING DEMOCRACY (\$25,000,000).**

**SO 2. Support the transition to democratic political systems, transparent and accountable governance and the empowerment of indigenous civic and economic organizations that ensure broad-based participation in economic and political life (\$25,000,000).**

The development of democracy in Ukraine is most easily seen in terms of elections. In 1994, Ukraine held its first post-Soviet elections, both parliamentary and presidential. Procedural difficulties left some 50 seats unfilled in the parliament. Nonetheless, the outcome of the voting clearly mirrored regional differences and brought with it a period of change. The new President has become a major force for economic reform, and he continues to consolidate his power in a very strong presidency. Since independence, the Ukrainian parliament has worked unsuccessfully on the preparation of a new constitution to replace the 1978 Constitution of the Ukrainian Soviet Socialist Republic, by which Ukrainians continue to be governed. The President and parliament established a new constitutional commission in October 1994, bringing with it a new impetus for agreement on the underlying tenets of Ukrainian democracy.

**Activities.** To foster the development of a democratic society with broad-based participation in political and economic life, USAID assistance is geared toward helping: (1) increase public participation in the political process, particularly by assisting political and governing individuals to be more efficient, responsive and accountable; (2) develop the appropriate legal framework that a market-oriented democracy needs to function, including an independent judiciary; and (3) strengthen the capacity of Ukrainian NGOs. Complementary to these activities are training programs targeting high school, undergraduate and graduate students, teachers and faculty, government officials, entrepreneurs and other professionals. In FY 1995, USAID will embark upon a new effort to support law enforcement programs and to assist criminal justice reform, including helping Ukraine to combat organized crime, fight financial crime, interdict the flow of narcotics, and reform the criminal justice system.

**Indicators.** The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) legislation is enacted by December 1995 establishing the process, timing and independent management system for elections; (2) twenty-five NGOs involved in influencing public policy are organized and operating by December 1995; (3) new civil and commercial codes are enacted by the parliament by January 1996; (4) new legal framework in place to ensure independence of the judiciary by December 1995; and (5) newly formed Association of Cities involved in proposing and

lobbying for legislation to secure expanded local level authority.

Progress in 1993-1994. Working through the International Foundation for Electoral Systems, USAID provided assistance to Ukraine's electoral commission to ensure broad participation in free and fair parliamentary and presidential elections, both of which were held in 1994. Evidence of success can be seen in the fact that 75% of voters nationwide participated in the March parliamentary elections and all 450 electoral districts cleared the 50% participation threshold. Prior to the elections, the National Democratic Institute worked extensively with political party leaders and women's, students' and environmental groups. One of the fruits of this activity is the formation of a monitoring committee comprised of the Association of Ukrainian Students and the All Ukrainian Center for the Defense of Human Rights. Internews' Independent Media Center in Kiev has supported the development of UNIAN, the largest independent news agency in Ukraine that has recently overtaken the Government news agency as the main news source for Ukrainian publications. The rule of law consortium launched a multi-faceted legal reform program. The consortium is collaborating with the Ohio Supreme Court, the Ohio Bar Foundation and the high general court of Ukraine to train all 500 sitting judges of the high general court in the resolution of economic disputes in domestic and international affairs. In local government, work has begun in several city administrations to create information and decision-making systems that are more effective, transparent and accountable to the public. USAID-sponsored technical assistance and a U.S. study tour for the mayors of central oblasts led to the creation of the Association of Cities of Ukraine, a support organization and political voice for the concerns of cities and urban-based populations.

Donor Coordination. Throughout the past year, USAID has chaired regular meetings of donors who are concerned with the process of parliamentary and presidential elections in Ukraine. This group exchanged information on problems in the administration and conduct of elections, and directed donors' attention to areas in which assistance or oversight could be particularly helpful. Now that a new parliament has been elected, USAID meets regularly with other donors to assist parliament in developing the capacity to undertake legislative research.

Constraints. Ukraine has no real tradition of governmental or bureaucratic accountability to citizens, and consequently, there is a well-developed feeling of popular powerlessness and a low level of civic responsibility among both the governors and the governed. The political culture is tolerant of authoritarianism, discourages compromise solutions between conflicting parties, and has little tradition of free uncontrolled popular participation in politics. Independent broadcast and print media are in fledgling stages of development. The ultimate success of democracy in Ukraine is inextricably linked to the success of economic and social transformation. Unless the economic and social transformation process delivers tangible evidence to a broad spectrum of people that the quality of life in a democracy will be better than that experienced under the earlier authoritarian regime, there will be an inevitable backlash against those who champion democracy.

#### SOCIAL SECTOR RESTRUCTURING (\$8,000,000).

SO 3. To assist Ukraine in addressing the deterioration of support systems such as health care, housing and municipal services caused by the breakdown of the Soviet system, and to help maintain the neediest sectors during the transition (\$8,000,000).

Ukraine's economic decline has had a dramatic human element. Hyperinflation, fixed or falling incomes and rising prices, decreasing availability of food for the poor, shortages of critical imports such as fuel and medicines, and increasing hidden unemployment are drastically worsening the well-being of the population. The IMF Agreement with Ukraine further adds strict and rapid economic stress to the majority of the population who will be required by July 1995 to pay 60% of the production costs for housing and communal services. Covering these costs is estimated to absorb more than 100% of reported income of nearly one-third of Ukrainian families and between 50% and 100% of income for another one half of all families. The social service network faces fiscal collapse, with the decline and

threatened breakdown of federal, regional and local provision or maintenance of pensions, health care, municipal services and housing. Economic reforms and restructuring of state enterprises can help arrest economic deterioration and encourage foreign exchange flows to purchase critical imports. However, restructuring will also entail transitional social costs such as unemployment and shrinkage of social services delivered by the state. Restructuring and targeting of a menu of state-financed social subsidies is also essential and can lead to both budget savings and a focus on those truly in need.

Activities. Given overwhelming needs, USAID is maintaining a clear focus on key activities to help manage the present transition and create working models for the future including: (a) helping Ukraine structure new systems for providing social services appropriate for a market economy; (b) where government policy allows effective collaboration, helping strengthen both state and nongovernmental capacity to carry out critical social service functions; and (c) increasing indigenous nongovernmental capacity to alleviate the present suffering of the neediest groups in the population.

Indicators. The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) at least one health care demonstration site is selected and being used by December 1996 to introduce market reforms to the health care sector; (2) management, administrative and clinical practices are improved in target hospitals and health centers and replicated in select oblasts by 1996; (3) decreased incidence of diphtheria cases; and (4) reduction in the percentage of GDP devoted to housing subsidies from 20% to 15% by July 1996.

Progress in 1993-1994. USAID's health care reform program has gotten underway, with demonstration sites operating in Lviv and Odessa. Four medical partnerships with premier U.S. institutions are helping improve health services delivery. With USAID assistance, a plan for improving family planning and perinatal care has been developed, and the Ministry of Health was assisted in drafting its health care reform legislation. Two seminars were held for Ukrainian pharmaceutical industry leaders from government and private industry on investment strategies in the U.S. pharmaceutical industry, and study tours for Ukrainian health officials on alternative health care financing and delivery systems have been conducted in the United States and Canada. A delegation of parliamentarians visited the United States in January 1995 to learn about the development of health policy and legislation by visiting national and state legislators' offices. In the provision of humanitarian assistance, USAID provided the GOU 22 million doses of adult diphtheria vaccine (Td) and diphtheria antitoxin to slow down the diphtheria epidemic. In addition, USAID is providing a one-year supply of insulin for juvenile diabetics and commodities to support training of health care workers in universal precautions to reduce the transmission of blood borne diseases (e.g. hepatitis B virus and HIV/AIDS).

In response to the IMF Agreement, the GOU has sought USAID assistance in the design and implementation of a social support system in the form of housing allowances for the poorest households. This system should be in place by July 1995. USAID has already designed a computer spreadsheet model to assist the government in determining the impact of various social support proposals for housing and communal services for families of different sizes and incomes. Inter-ministerial training workshops have been held on pricing reforms and targeted social subsidy issues; and training seminars have been held on a broad range of local government financing and management issues.

Donor Coordination. In the provision of humanitarian assistance, USAID's coordination with the Government of Canada has led to a joint effort to stop the diphtheria epidemic in Ukraine. USAID is providing vaccine (Td) to immunize adults who are at serious risk of contracting diphtheria. Canada, through the United Nations Children's Fund (UNICEF), is providing vaccine to immunize young children against diphtheria, tetanus and pertussis (DTP). USAID has played a predominant role in establishing the Interagency Immunization Coordinating Committee (IICC) which is a framework for coordination of donor support in immunization delivery and disease control in the NIS region. USAID has been coordinating closely with the IMF on targeted social subsidies for housing and communal services.

USAID support for restructuring the health system and strengthening reproductive health services in Ukraine is closely linked to the development of World Bank assistance in the health sector. The World Bank project, which is in the final stages of design, anticipates technical support from USAID-funded efforts concerned with financing, training, information systems, and delivery of reproductive health services to reduce maternal mortality and the prevalence of abortion.

Constraints. Legislation to reform the current method of financing and administering the Ukrainian health care system will be required to achieve significant improvements in efficiency and effectiveness of health care nationwide. More autonomy needs to be provided to local facilities, and more reliable and varied sources of funding, supplies and medications must be identified. Effective local government will require clear definition of fiscal responsibilities among national, regional and local government. Sound revenue-sharing arrangements must be established and stabilized so that cities can plan and operate effectively. Private pharmaceutical companies are unwilling to invest in local pharmaceutical production until the business climate improves. This may limit local pharmaceutical development activities to installing packaging and labeling capacity.

#### Other Donor Resource Flows.

Statistics on donor resource flows in Ukraine is not available from the Group of 24 or the Development Assistance Committee of the Organization of Economic Cooperation and Development.

#### UKRAINE FY 1996 PROGRAM SUMMARY

USAID Strategic Objectives	
Economic Restructuring	\$126,000,000
Building Democracy	\$ 25,000,000
Social Sector Restructuring	\$ 8,000,000
Total	\$159,000,000

Regional Mission Director: Gregory Huger

## UZBEKISTAN

FY 1996 Assistance to the NIS Request: . . . . . \$ 11,000,000

Uzbekistan, with some 22 million people, is the most populous of the Central Asian successor states and the third most populous in the New Independent States (NIS). In common with the other four states in the region, it has a nominal ethnic majority, but many Uzbeks live beyond, and many non-Uzbeks live within, its borders. Uzbek nationalism preceded the establishment of communist rule in Central Asia and has found new expression as Uzbekistan emerges as the central state in the region, with a capital city benefiting from heavy infrastructure investment during the Soviet period.

Uzbekistan is the only Central Asian state to border all four of the other Central Asian states. It also shares a border with Afghanistan, and many Uzbeks live on the other side of this frontier. It has so far lived peacefully, if not always harmoniously, with its neighbors. The country has large mineral reserves and is potentially a major trading partner with the West. It is a leading cotton exporter but suffers serious environmental problems and financial distortions as a result of central planning and top-down economic mandates. Initial slowness in economic reform, combined with ongoing resistance to democratic change, has been matched by a relatively modest U.S. assistance program.

#### The Development Challenge.

Lack of political openness and slow progress in terms of economic restructuring represent the main challenges in Uzbekistan. Human rights abuses are a concern, and political structures remain rigid. This, combined with economic stagnation, could eventually threaten the country's stability and would have implications for other countries in the region. A prosperous, pluralistic and open Uzbekistan, on the other hand, would help enrich the entire region as the country adapts to trading patterns which have become quite suddenly international in scope, market-driven, and foreign-exchange denominated.

#### Strategic Objectives (SOs).

USAID is pursuing the following strategic objectives in Uzbekistan.

#### ECONOMIC RESTRUCTURING (\$7,000,000).

SO 1. Foster the emergence of a competitive, market-oriented economy in which the majority of economic resources are privately owned and managed (\$7,000,000).

Although maintaining the rhetoric of economic reform, the government of Uzbekistan has often lagged behind in its implementation. Fears over loss of control are one obvious reason, and lack of administrative capacity to implement reforms is another. Targeted technical advice and training aimed at the overall macroeconomic environment can make an important difference in shaping economic change, as well as influence the programs of other players such as the International Monetary Fund (IMF) and the World Bank.

Faced with budgetary constraints and the seeming lack of will of counterparts, USAID has been planning to end privatization efforts in Uzbekistan. Some initial progress was made as a result of USAID assistance, including the establishment of auction centers in 12 oblasts and Karakalpakistan and the holding of some 68 auctions, resulting in the sale of approximately 500 government-owned entities. Although well received at local levels, necessary support had not been forthcoming from the State Property Organization. However, the government of Uzbekistan is currently concluding an agreement with the World Bank which calls for broader participation in ownership. USAID may reconsider extending its privatization support, dependent on: completion of the structural transformation facility (STF) with the IMF, negotiations for which have made progress; availability of U.S. assistance funds; and resolution of pending policy issues.

**Activities.** USAID activities will support the design and implementation of a new tax code; development and implementation of pension reform policies; reform of Central Bank procedures to increase independence; and tightened commercial bank supervision and capitalization requirements. Training programs will be a significant component of these activities. The Central Asia Enterprise Fund has opened an office in Tashkent to provide both loan and equity financing and related technical assistance. The Fund will establish a small business lending program in Uzbekistan.

**Indicators.** The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) the amount of government budgeting support to state-owned enterprises decreases; (2) systematic planning of fiscal resource allocation between different branches of government introduced into the annual budget process by December 1996; and (3) legislation rationalizing expenditure and revenue assignment responsibilities between branches of government is developed and adopted by December 1995.

**Progress in 1993-1994.** A number of important steps were taken in 1994 as part of ongoing IMF negotiations, which are expected to result in an agreement soon. Positive steps include the introduction of a new currency, cuts in subsidies, decontrol of some prices, and reductions in the budget deficit. Indirectly, USAID-funded advisors have assisted in this process, and extensive training programs have provided policy makers in Uzbekistan with first-hand opportunities to see how a market economy functions in the United States. Almost 200 people participated in 18 different training programs, many of them related to economic restructuring. The Government of Uzbekistan has been so impressed with the USAID training methodology that the government wishes to emulate it in training programs arranged by other donors.

**Donor Coordination.** USAID coordinates closely with the IMF and the World Bank; progress in negotiations with these multilaterals institutions has a bearing on USAID programming decisions.

**Constraints.** The legacy of decades of centralized Soviet planning is difficult to overcome. The central government has been reluctant to divest itself of direct ownership and management of state-owned enterprises.

#### **BUILDING DEMOCRACY (\$ 3,000,000).**

##### **SO 2. Support the transition to transparent and accountable governance and the empowerment of citizens through democratic political processes (\$3,000,000).**

Minimal progress has been made toward opening up the political process in Uzbekistan and making it more democratic, but there are indications that Uzbekistan is sensitive to international concerns, and the government has on occasion responded to them. For example, political prisoners have been released and Uzbekistan is participating in Organization for Security and Cooperation in Europe (OSCE) conferences. Constituencies that are able and willing to discuss human rights issues and to project human rights concerns are lacking. There are few nongovernmental organizations (NGOs) active in Uzbekistan. USAID's focus in Uzbekistan is on improving the understanding of, and demand for, basic human rights and helping establish and strengthen public-interest NGOs.

**Activities.** Efforts are underway to establish a productive collaboration in areas related to NGO development and human rights. USAID-supported NGO projects will provide organizational advice, help develop the legal infrastructure for NGO operations, and provide small grants for start-up NGOs.

**Indicators.** The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) number of viable political parties representing significant segments of society increases; (2) new and revised civil codes that protect individual civil and property rights is developed and adopted by the executive or the legislative branch of government; and (3) the number of NGOs working on human rights and public interest issues increases.

**Progress in 1993-1994.** Increasing awareness of human rights issues will be a long-term process. A recent USAID-sponsored youth conference on human rights and democracy reached over a thousand participants. USAID co-sponsored a regional NGO conference in Tashkent in November, 1994, which provided an opportunity for local citizens to meet other NGOs, and to learn how to form an NGO and how to apply for USAID-funded small grants to assist in establishing NGOs. However, local registration requirements remain a deterrent.

**Donor Coordination.** USAID coordinates with other groups such as the Soros Foundation in promoting NGO development. No other donors are working on democratization issues in Uzbekistan.

**Constraints.** There has been little or no openness within the Government of Uzbekistan on human rights issues, which it considers secondary to broader political and economic concerns. Decades of centralized Soviet rule make even the very notion of an NGO incomprehensible to some local officials.

#### **SOCIAL SECTOR RESTRUCTURING (\$1,000,000).**

##### **SO 3. Social sector restructured to enable efficient and sustained delivery of quality social services and benefits (\$1,000,000).**

Improving the delivery and sustainability of core social services is crucial to improving social welfare and building popular support for economic and political reform. Technical assistance in health service delivery can contribute to modernizing clinical procedures and protocols, strengthening efficiency and effectiveness of medical interventions, and reducing the use of costly tertiary facilities in favor of primary care services. Market-based approaches could dramatically expand the availability of needed health care. Specific attention to reproductive health is warranted in Uzbekistan to address high levels of maternal and infant mortality, and a notable reliance on abortion. Private marketing of contraceptives could expand women's options and reduce the number of abortions. Expanding the delivery of potable water and addressing environmental health concerns is also a critical social concern in Uzbekistan.

**Activities.** Through the NIS exchanges and training program, USAID will support social sector reform by allowing key individuals to learn first-hand how a broad range of social sector issues are addressed in the United States. Health finance systems will be strengthened by examining alternatives, such as insurance schemes, privatization, or continued public financing of certain services. Work will continue on modernizing family planning practices and developing a test market for the commercial sale of contraceptives. A hospital partnership established between two Tashkent hospitals and the University of Illinois Medical Center will continue to promote the introduction of more efficient medical and management practices and technologies. The Centers for Disease Control and Prevention will provide technical assistance to the government to improve public health surveillance systems and response to disease outbreaks. Technical assistance will be provided to support sustainable childhood immunization services. Environmental health activities will focus on measuring levels of selected pesticides in the environment, will promote health awareness on pesticide use, and will conduct baseline water quality and epidemiological investigations. As part of the regional Aral Sea Initiative, USAID is helping improve the operation and maintenance of the Nukus and Urgenech water treatment plants. In addition to providing laboratory and chlorination equipment, a public health education program will assist in enhancing the public's understanding of water-use issues in the region.

**Indicators.** The following is a partial list of provisional indicators measuring progress toward this strategic objective: (1) the number of oblast-level health care facilities with trained and retrained (U.S.-funded) health care providers is increased; (2) the number of private health care practitioners, non-profit care facilities, and pharmacies is increased; recommendations to privatize the health and pharmaceutical sectors are developed and adopted; (3) abortion prevalence decreases; and (4) increase in the number of households with access to safe drinking water.

Progress in 1993-1994. Modest efforts been made in this area thus far, mainly in terms of exposing policy makers to alternative approaches, including cooperation with the private sector through participation in various USAID-funded training programs.

Donor Coordination. USAID programs in this area are coordinated with those of other donors, including the World Bank. USAID has played a major role in establishing the Interagency Immunization Coordinating Committee, which coordinates donor support in immunization delivery and disease control activities in the NIS.

Constraints. The legacy of Soviet rule includes a strong emphasis on centralized, health-service delivery. There is little history of private sector participation in service delivery, and policy makers can be convinced only through demonstrated example that such approaches can be effective.

**Other Donor Resource Flows.**

Statistics on donor resource flows in Uzbekistan are not available from the Group of 24 or the Development Assistance Committee of the Organization for Economic Cooperation and Development.

**UZBEKISTAN  
FY 1996 PROGRAM SUMMARY**

USAID Strategic Objectives	
Economic Restructuring	\$ 7,000,000
Building Democracy	\$ 3,000,000
Social Structure Restructuring	\$ 1,000,000
Total	\$ 11,000,000

USAID Regional Mission Director: Craig Buck

## REGIONAL ACTIVITIES IN CENTRAL AND EASTERN EUROPE

FY 1996 Assistance to Central and Eastern Europe Request . . . . . \$93,166,000

The Support for Eastern Europe Democracy program began as a regional program after the collapse of communism in Central and Eastern Europe in 1989. A program of regional projects provided the flexibility to move funds and activities quickly to different countries as targets of opportunity arose in a fast-changing situation. Since then, increased staff have been placed in the field; country specific strategies have been developed, reviewed and approved; and field missions have prioritized programs within country funding levels.

Regional projects continue but with country and regional funding. The use of the country funding is described in the various country narratives above. Regional activities which are supportive of more than one country are discussed here. This includes regional projects benefitting several countries, such as a program to clean up the Danube; contract personnel who provide technical services to more than one country; and regional conferences, working groups or courses that benefit participants from a number of countries.

**Strategic Objectives (SOs).**

USAID is pursuing the following three strategic objectives within the SEED program in Central and Eastern Europe.

**ECONOMIC RESTRUCTURING (\$53,037,000).**

**SO 1. Foster the emergence of a competitive, market-oriented economy in which the majority of economic resources are privately owned and managed (\$53,037,000).**

Activities. A major new Southern Balkan initiative for up to \$30 million will encourage regional integration and promote cooperation. The program will be directed toward the countries which are the most severely affected by the sanctions against Serbia and Montenegro. Feasibility studies, technical assistance and training programs will lay the groundwork, leveraging funds from other donors both public and private, to improve links between Albania, the former Yugoslav Republic of Macedonia and Bulgaria whose normal trade routes through Serbia have been cut off. Macedonia is particularly isolated since it is also suffering from the embargo on trade to the south through Greece. The sanctions and the embargo have resulted in serious set-backs to the economies of these countries to the extent that survival of their fledgling democratic market economies is threatened. U.S. assistance will be coordinated with other donors in implementing a new regional program.

Funds are reserved for the fastest performing Enterprise Funds in the region. Additionally, some of the Baltic-American Enterprise Fund budget remains regional, since it is not yet known where the funds ultimately will be invested.

Other ongoing regional activities will require additional funding in FY 1996. For example, the U.S. and Central and Eastern Europe (CEE) energy partnership program plans regional workshops. There are a number of regional programs in the Baltic countries to integrate and thereby conserve energy resources there.

Funds are set aside for new initiatives in microenterprise development which are in the planning stages and cannot yet be allocated by country.

**BUILDING DEMOCRACY (\$29,183,000).**

**SO 2. Support the transition to transparent and accountable governance and the empowerment of**

citizens through democratic political processes (\$29,183,000).

Activities. A major initiative is the development of a regional anti-crime and corruption program initially in the Baltic countries and Poland, later to be expanded to other countries. Funding allocations for specific country programs beyond the initial four will be determined in late FY 1995.

Another major initiative is the expansion of public administration programs throughout the region focusing on improvement in the quality of government at all levels. Also, independent media activities will be expanded. Funds are planned for countries which develop needs in these areas beyond what has been budgeted.

Regional funds will continue to support regional programs, such as the Presidential initiative to promote "democracy networks" in Eastern Europe through the inter-country cooperation of newly developed, nongovernmental organization advocacy groups. Both country-specific and regional funds support this program.

Funds are being reserved in the regional program for assistance in planning national or local elections or other activities in support of developing democratic political systems.

#### SOCIAL SECTOR RESTRUCTURING (\$10,946,000).

SO 3. Strengthen the capacity to manage the human dimension of the transition to democracy and a market economy, and help sustain the neediest groups of the population during the transition period (\$10,946,000).

Activities. Another initiative is an enhanced program to address the adverse effects of economic restructuring and large enterprise privatization on CEE populations and to improve government performance in providing social benefits cost-effectively. A program to support social sector restructuring in Poland is now being developed. Lessons learned from this program will be used to develop programs in other CEE countries.

Funds are also reserved for emergency humanitarian assistance requirements in the region.

Regional environmental programs, such as the Danube Basin clean-up program, a multilateral development effort, and the Regional Environmental Center, are also being funded through the regional budget.

#### REGIONAL ACTIVITIES IN CENTRAL AND EASTERN EUROPE FY 1996 PROGRAM SUMMARY

USAID Strategic Objectives	
Economic Restructuring	\$53,037,000
Building Democracy	\$29,183,000
Social Sector Restructuring	\$10,946,000
Total	\$93,166,000

USAID Office Director: Peter Orr

## REGIONAL ACTIVITIES IN THE NEW INDEPENDENT STATES

FY 1996 Assistance to the NIS Request . . . . . \$159,000,000

USAID's assistance program to the New Independent States (NIS) of the former soviet Union began as a regional program after the collapse of communism and the Soviet Union in 1992. A program consisting of regional projects gave the initiators of FREEDOM Support Act assistance the flexibility to move funds and mount activities quickly to different countries as targets of opportunity arose in a fast-changing situation. As time has passed, USAID has placed increasing staff in the field; developed, reviewed and approved assistance strategies for most countries; and asked the field missions to prioritize programs within country funding levels.

USAID continues to fund regional projects, although the allocation of funds among countries in those projects is now defined in advance. The use of these funds is described in the various country narratives above. USAID has continued, however, to fund some truly regional activities which are supportive of more than one country. This includes regional projects benefitting several countries, such as the regional enterprise funds; contract personnel who provide technical services to more than one country; and regional conferences, working groups or courses that benefit participants from a number of countries. USAID also plans to set aside "Performance Funds" to respond quickly with increased assistance in support of new or accelerating macroeconomic or sectoral reform programs.

**Strategic Objectives (SOs).**

USAID is pursuing the following three strategic objectives with regionally designated funds in the NIS.

**ECONOMIC RESTRUCTURING (\$63,000,000).**

**SO 1. Foster the emergence of a competitive, market-oriented economy in which the majority of economic resources are privately owned and managed (\$63,000,000).**

Activities.

(A) Private Sector: Regional funds cover Washington-based technical advisors who support multiple field missions in project design and implementation, and service contracts that assist USAID with a variety of non-technical support functions. Inter-agency service agreements, such as that with the Securities and Exchange Commission, help in performance monitoring and assessment across the region.

(B) Enterprise Funds: Incremental funding for the West NIS Enterprise Fund will allow the Fund (begun in FY 1994) to continue fostering private sector development by providing investment (equity and loan) capital to small and medium-scale businesses in Ukraine, Belarus, and Moldova. The Central Asian Republics Enterprise Fund (also begun in FY 1994) provides similar investment capital to Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan. Both funds are demand-driven, and are likely to support the most business deals in the republics that have cultivated the business climates most hospitable to entrepreneurs.

(C) Performance Fund: Given the rapidly changing political environment in many NIS republics, and given that commitment to economic reform can wax and wane with the fortunes of key reformers and in response to popular support, U.S. interests in the region can best be served by keeping a reserve of funds unallocated by country and ready to apply on short notice where they can best be utilized to support reform. Performance funds will be used to support new or accelerating macroeconomic reform or superior performance in key restructuring sectors of the economy.

**BUILDING DEMOCRACY (\$33,000,000).**

**SO 2. Support the transition to transparent and accountable governance and the empowerment of citizens through democratic political processes (\$33,000,000).**

Activities. (A) Democracy: Regional funds will support the continuation of anti-crime and corruption activities begun in FY 1995, and extend these activities from the primary focus countries of Russia and Ukraine to other parts of the region in response to opportunities as they are identified. Funds for regional activities are also contemplated in both political process and rule of law. In the former, regional conferences and training programs are included, as are funds to supplement unforeseen requirements, such as elections assistance. For rule of law, USAID intends to expand the work of the Shakarov Center, a human rights institute in Moscow, to other parts of the region.

(B) Eurasia Foundation: The Eurasia Foundation makes small grants to non-governmental organizations to support economic and political reform and independent media and communications. Since its inception in 1993, the Foundation has awarded grants for activities in all of the New Independent States. The foundation will continue to award grants to U.S. and indigenous non-profit organizations such as sister cities programs, cooperating U.S. and NIS universities, technical institutes or hospitals, and traditional NGOs in need of strengthening. A new program in the for-profit sector will make recoverable grants or small loans, called program related investments (PRIs). It is estimated that for every dollar provided by the Foundation, two dollars is leveraged from the assisted entity.

(c) Title VIII: A transfer to the State Department will help build and sustain the U.S. scholarly base on the region by providing stable financing on a national level for advanced research; graduate and language training (domestic and on-site); public dissemination of research data, methods, and findings; and contact and collaboration among government and appropriate specialists.

**SOCIAL SECTOR RESTRUCTURING (\$63,000,000).**

**SO 3. Strengthen the capacity to manage the human dimension of the transition to democracy and a market economy and help sustain the neediest groups of the population during the transition period (\$63,000,000).**

Activities. (A) Special Initiatives, Humanitarian Assistance and Transport: Regional funding is provided to ship goods donated by private U.S. groups and individuals to countries in crisis in the New Independent States, for the Israel Cooperative Development Program, the Israel Cooperative Development Research Program and for regional technical and managerial assistance in support of humanitarian programs in the Caucasus and Tajikistan.

(B) Health: Regional health funding pays costs of technical assistance expertise associated with vaccine and pharmaceutical procurement and delivery, hospital partnerships, and women's health programs that cannot be attributed clearly to individual country programs.

REGIONAL ACTIVITIES IN THE NEW INDEPENDENT STATES  
FY 1996 PROGRAM SUMMARY

USAID Strategic Objectives	
Economic Restructuring	\$63,000,000
Building Democracy	\$33,000,000
Social Sector Restructuring	\$63,000,000
Total	\$159,000,000

USAID Office Director: Brian Kline

**LATIN AMERICA AND THE CARIBBEAN**

**Mark L. Schnider**  
**Assistant Administrator**  
**Bureau for Latin America and the Caribbean**

## LATIN AMERICA AND THE CARIBBEAN

FY 1996 Development Assistance Fund Request:.....	\$385,000,000
FY 1996 Economic Support Fund Request:.....	\$117,820,000
FY 1996 International Narcotics Control Request:.....	\$47,000,000
FY 1996 P.L. 480 Title II Request:.....	\$94,256,000
FY 1996 P.L. 480 Title III Request:.....	\$10,000,000

## Democracy and Prosperity: A Shared Vision.

*The Elected Heads of State and Government of the Americas are committed to advance the prosperity, democratic values and institutions, and security of our Hemisphere. For the first time in history, the Americas are a community of democratic societies. Although faced with differing development challenges, the Americas are united in pursuing prosperity through open markets, hemispheric integration, and sustainable development.*

## - Summit of the Americas Declaration of Principles

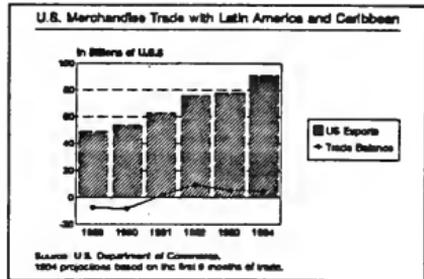
President Clinton met with the elected heads of the 33 other Western Hemisphere democracies at the Summit of the Americas on December 9-10, 1994. The 34 leaders pledged their mutual commitment to achieving four objectives:

- Preserve and strengthen the community of democracies of the Americas;
- Promote prosperity through economic integration and free trade;
- Eradicate poverty and discrimination in our hemisphere; and
- Guarantee sustainable development and conserve our natural environment for future generations.

Never before in history have the nations of the hemisphere shared a common vision and values so clearly as they did at the Summit. This shared vision recognizes that we have a common destiny which must be built upon a sustainable foundation of equitable economic growth; democratic, participatory institutions; smaller, healthier families; and protection of the natural environment.

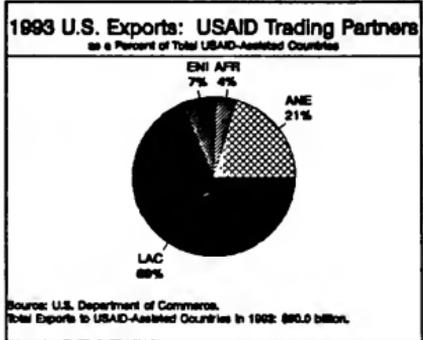
## USAID Support to LAC Benefits the United States.

The United States stands to benefit greatly from helping Latin American and Caribbean (LAC) countries realize our shared vision. Indeed, our most vital national interest -- the health of our domestic economy -- depends in no small measure on the economic health of the other countries in the hemisphere. The LAC region is the fastest growing market for U.S. exports of goods and services, and also one of the largest. Our exports of goods alone to the LAC countries reached an estimated \$91 billion in 1994, more than three times their level 10 years ago. These exports support more than 1.8 million jobs in the United States. The U.S. market



share of LAC countries' imports from Organization for Economic Cooperation and Development (OECD) countries has risen from 48% in 1986 to 57% in 1993.

U.S. economic growth and employment depend far more on the growth of LAC economies than on any other part of the developing world. In 1993 the LAC region accounted for more than 69% of all U.S. exports to USAID-assisted countries, while the share of the Africa, Asia, Near East, Europe and New Independent States regions combined was 31%. The U.S. trade balance with the LAC region has gone from a deficit of \$8 billion in 1990 to an estimated surplus of \$5 billion in 1994. Billions of investment dollars and millions of tourists flow both ways across our common borders. U.S. direct investment in the LAC region totals \$102 billion, 19% of all our investment overseas and two-thirds of our investment in all developing countries.



The health of the U.S. economy will become even more dependent on the economic health of the LAC region in the future. Not only is it our natural market, but the Summit declaration committed the countries of the hemisphere to concluding negotiations for a Free Trade Area of the Americas (FTAA) by 2005. The FTAA will be the world's largest free trade area, encompassing 34 countries with a current total population of about 750 million and a combined gross domestic product (GDP) of more than \$8 trillion.

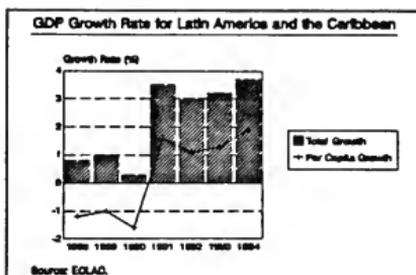
Strong democracies in LAC countries are essential to maintaining our own high quality of life. Democratic governments with shared values are key to making significant progress on many issues of interest to the United States, such as economic integration, pollution reduction, global warming, biological diversity, narcotics trafficking, public health, and acquired immunodeficiency syndrome (AIDS) prevention. Strong democracies also will lead to reduced emergency assistance and lower U.S. defense expenditures in the region over the long run.

The recent efforts of the LAC countries to reform themselves have created an environment within which well-targeted U.S. assistance can have a high payoff in helping LAC countries achieve our shared vision thus promoting our own interests. As host and principal organizer of the Summit, and leader among the nations of the hemisphere, the United States has a special role in supporting the accomplishment of Summit objectives. USAID's priorities in the LAC region -- encouraging broad-based economic growth, building democracy, reducing population growth and improving health, and protecting the environment -- directly address these objectives.

#### LAC Economies are Growing Again . . .

By many common measures, LAC countries appear to have made good progress in improving the quality of life and living standards for their citizens over the last 35 years. Life expectancy between 1960 and 1991 increased from 56 to 68 years, and infant mortality declined from 105 per 1,000 live births to 47. Indicators of adult literacy, school enrollments, and access to safe drinking water have all improved. Malnourishment among children has declined.

Although per capita GDP fell by 8% during the 1980s, it grew by 6% over the last four years. The region's total GDP increased by an average of 3.4% a year during 1991-94. The LAC region has become a more attractive place for investors, both domestic and foreign. Net capital inflows averaged \$55 billion a year during 1991-94, compared with an annual average of only \$9 billion during 1983-90. Recent events in Mexico are unlikely to have more than a short-run effect on these flows.



... But High Rates of Poverty Persist

Despite these signs of progress, however, poverty rates remain high. The United Nations Economic Commission for Latin America and the Caribbean estimates that 196 million people in the LAC region (46% of the total population) were living in poverty in 1990, up from 136 million (41%) in 1980.

The incidence of poverty appears to have lessened slightly in most LAC countries in the early 1990s. Urban poverty fell in 8 of 11 countries for which data are available. Among the poorer countries, for example, Bolivia's poverty rate fell from 53% in 1989 to 50% in 1992. Similarly, rural poverty rates declined in 5 of 6 countries for which data are available.

However, economic growth and the rate of poverty reduction in the region remain too slow to meet the Summit objectives of eradicating poverty, reaching a 100% primary school completion rate by 2010, and reducing child mortality by one-third and maternal mortality by one-half by 2000.

Participation of the Poor Must Increase.

The facts in the LAC region, then, do not support the traditional belief that "a rising tide lifts all boats." Although some boats are now rising, a major part of the population remains excluded from the economic, social, and democratic life of LAC countries. The data below, from the United Nations Development Program's (UNDP) Human Development Report 1994, demonstrate the large income gap between the haves and have-nots:

**Ratio of Income of the Highest 20% of Income Recipients  
to Income of the Lowest 20%, 1980-1991**

Developed Countries (OECD members):  
OECD Average 7

USAID-Assisted LAC Countries (for which data are available):

Brazil	32	Jamaica	8
Colombia	13	Mexico	14
Dominican Republic	13	Panama	30
Guatemala	30	Peru	10
Honduras	24		

This wide disparity in incomes is unique to the LAC region. Similar data for African, Asia, and Eastern European countries show few countries with such extraordinary income inequality. LAC countries are unlikely to replicate the rapid GDP growth rates experienced by East Asia in the last few decades without major improvements in the education, training, and health of their work forces. A virtuous circle of economic growth and poverty reduction will require much higher investment in the human

capital of the poor. One of the major differences between the East Asian miracle countries and the LAC region is that the former invested heavily in good-quality basic education.

Many LAC citizens, in addition to being excluded from participation in the economic system, cannot effectively participate in democratic processes. In some cases, e.g., Guatemala and the Andean countries, those excluded are largely members of indigenous cultures. Geographic isolation tends to add to their exclusion. Economic and social disenfranchisement can be a major barrier to political stability, as events in Mexico demonstrated last year.

*It is politically intolerable and morally unacceptable that some segments of our populations are marginalized and do not share fully in the benefits of growth. With an aim of attaining greater social justice for all our people, we pledge to work individually and collectively to improve access to quality education and primary health care and to eradicate extreme poverty and illiteracy. The fruits of democratic stability and economic growth must be accessible to all, without discrimination by race, gender, national origin or religious affiliation.*

- Summit of the Americas Declaration of Principles

USAID's Strategy in the LAC Region.

*The great remaining challenge is to increase opportunities for the poor to participate in economic growth.*

- USAID's LAC Development Assistance Strategy

The lack of participation of a major part of the population in the economic and democratic systems presents a fundamental challenge to LAC countries, and also works against U.S. interests. It means that a potential market of close to 200 million people effectively cannot be direct consumers of U.S. goods and services unless their incomes rise.

To meet this challenge, USAID has adopted a sustainable development strategy that integrates the elements we have determined to be most critical for reducing poverty in the long run: encouraging broad-based economic growth, building democracy, reducing population growth and improving health, and protecting the environment. Individual country programs are designed to balance activities that promote long-term, broad-based economic growth with those that directly benefit the poor, so as to achieve a significant and sustained reduction of poverty over the long run. USAID's programs focus on 16 of the region's 32 democracies where disenfranchisement of the population is greatest.

The synergy among the strategy elements makes the whole greater than the sum of the parts if each were pursued separately. Economic growth is essential for improved living standards, and structural adjustment is important for accelerating economic growth. But structural adjustment will not be broad-based, nor will it produce growth that is sustainable, unless it consciously focuses on the other three strategy elements. Efforts to reach the poor are ineffective without a commitment to improving their access to resources, institutions, and decision-making processes. Economic growth is not sustainable without democracy, and democracy opens opportunities for greater participation of the poor by improving business opportunities and increasing earnings potential at the micro level. The gains from economic growth and participation will be diminished if population growth continues at high levels, and the ability of future generations to be productive will be diminished if their natural resource endowments are destroyed by the present generation.

### 1. Encouraging Broad-Based Economic Growth.

The rapidly growing trade between the United States and the LAC region has been made possible by the increasingly successful efforts of LAC countries to turn away from state-controlled, import-substitution economic models toward market-oriented economic policies. This transition has made the LAC region far stronger and more stable than it was during the economic crisis of the early 1980s. The Summit commitment to conclude negotiation of the FTAA by 2005 would have been unthinkable had most LAC countries not already opened their markets and restored sound economic management.

Recent events in Mexico, however, underscore the fragility of the LAC region's economic progress. The deterioration of the peso, and the corrective actions the new Mexican government has had to take, have shown how vulnerable a more open economy can be even with generally good macroeconomic management. Moreover, the persistence of high rates of poverty in the region makes clear that economic growth alone has not sufficiently reduced the region's great disparities in income and wealth.

### USAID Assistance has Facilitated Equitable Economic Growth.

While credit for economic recovery in the LAC region must go primarily to the determination of the Latin American and Caribbean people themselves, the investment by the United States in its foreign assistance program has contributed significantly to this progress:

- In El Salvador, Honduras, and Panama, USAID was the lead external assistance agency supporting economic policy reforms during periods when the international financial institutions (IFIs) suspended their activities. With our assistance in improving macroeconomic management, each of them resumed real growth of GDP per capita starting in 1990 and regained access to IFI resources and private capital inflows (although Honduras' policy performance -- and economic growth -- slipped in 1994).
- The primary school completion rate rose between 1989 and 1993 in all five LAC primary education emphasis countries (El Salvador, Guatemala, Haiti, Honduras, and Nicaragua) by an average of 1 percentage point per year, from 42.4% to 47.8%. Quality and efficiency indicators improved as well.
- In five countries (Bolivia, Honduras, Jamaica, Nicaragua, and Peru) 132,982 small firms and microenterprises, both agricultural and non-agricultural, improved their production and incomes with USAID assistance in 1993.

### Strategic Objectives.

USAID programs in the LAC region will continue to advance U.S. interests by directly supporting programs that address the Summit objectives of promoting prosperity and eradicating poverty and discrimination in the hemisphere. Our programs give priority to activities that:

- Restructure public sectors to be more responsive to the needs of their populations, especially the urgent needs of the poor and other vulnerable groups;
- Broaden the base of economic growth to include the poor and thus reduce the risk that economic policy reforms will be reversed;
- Support LAC countries' efforts to advance toward our vision of hemispheric free trade as key to prosperity; and
- Ensure that all children benefit from quality primary education.

## 2. Building Democracy.

Highly democratic countries do a better job of creating a climate of confidence and stability in international relations than undemocratic states or fragile democracies. They also provide increased opportunities for efficient private enterprise, and cooperate more effectively in resolving cross-border issues such as international health, narcotics, and immigration problems.

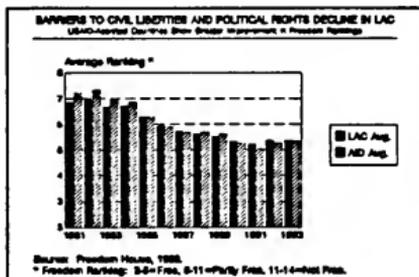
Stronger democracies in the region will lead to lower U.S. defense expenditures over the long term. Situations giving rise to U.S. military involvement in the region will be less frequent, and more of the costs of preserving democracy will be shared. Indeed, the results of recent progress in democracy building in the region are already apparent. The unified regional support for the return of Haiti's elected president would not have occurred had the LAC region still been the domain of the generals rather than a community of states -- all except Cuba -- with freely elected, civilian leaders.

Nevertheless, a broader concept of democracy, under which citizens have a wealth of outlets to express political choices -- a free press, nongovernment organizations (NGOs), unions, political parties, and other organizations, as well as effective local governments -- is only beginning to emerge in some countries.

### USAID Assistance has Strengthened Democracy.

USAID has been assisting efforts to strengthen democracy in the LAC region for more than 15 years. Our impact is most clearly seen in improved electoral systems and administration of justice.

- The number of USAID-assisted countries considered "free" by Freedom House rose from 5 in 1982 to 6 in 1993, and the number considered "not free" declined from 4 to 2. By the end of 1995, USAID expects all countries in the region -- leaving aside the anomalous case of Cuba -- to be "free" or "partly free," as democracy has been restored to Haiti, and constitutional government will be largely restored in Peru with the election of a new Congress and President in June 1995.



- 14 of the 16 USAID-assisted countries in the region have held free and fair elections within the last two years. Parliamentary elections are planned in another -- Haiti -- early this year. USAID assisted in establishing modern electoral systems in 9 of the USAID-assisted countries.
- 11 USAID-assisted countries are improving their systems for administering justice with our help.

### Strategic Objectives.

USAID programs have much to contribute in advancing U.S. interests by supporting the efforts of LAC countries to broaden and deepen democratic processes that in many cases remain very fragile. Our programs support:

- Greater adherence to the internationally recognized human rights of individuals as persons, citizens, and workers;

- Efforts to deepen the practice of citizenship, and to strengthen civil society; and
- "Good governance" to make government institutions more transparent, accountable, effective, decentralized, and accessible to citizens.

### 3. Reducing Population Growth and Improving Health.

Efforts to build democracy, accelerate economic growth, and use natural resources in a sustainable way can be successful in the long run only if population growth is reduced. Smaller families tend to produce children who are healthier, better educated, and earn more. Fewer, more productive adults ultimately buy more U.S. goods and services and participate more in democratic processes.

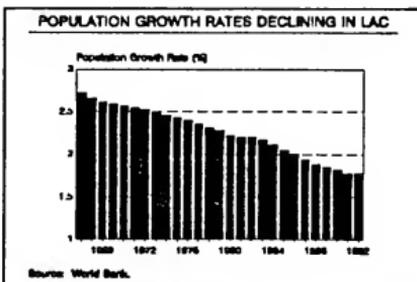
A specific U.S. concern is emigration from the LAC region. Higher birth rates mean more poorly educated, low-skill, low-wage workers, who form a pool of potential immigrants to the United States. During economic and political crises in LAC countries, more people try to emigrate, both legally and illegally, to the United States. This inflow of people from the LAC region creates stresses and inequities here, as the recent referendum on Proposition 187 in California illustrates. It also affects our health conditions. For example, if measles had been controlled in the region, the United States would probably have eliminated it in the 1980s, thus averting the costly 1990 epidemic.

For all of these reasons, U.S. interests are served by continuing to help LAC countries reduce their population growth rates and improve the health of their citizens. More slowly growing populations benefit people in both the LAC region and the United States, and support the achievement of all our common objectives.

#### Dramatic Decline in Population Growth.

The region's annual rate of population growth has declined from 2.8% in the 1960s to 1.8% in the 1990s, the net result of steady declines in death rates, especially among children, and much higher use of family planning. USAID has played a major role in helping LAC countries achieve this reduction.

- Average life expectancy in USAID-assisted countries increased from 52.4 years in 1960 to 65.3 in 1991.
- The average proportion of married women using modern contraceptive methods rose from more than 41% in 1989 to almost 49% in 1994 in the 13 LAC population emphasis countries. This is dramatic progress in only five years.
- The average infant mortality rate in LAC's nine child survival emphasis countries fell by more than a quarter in the last ten years, from 82.3 deaths of children under one year of age per 1,000 live births in 1984, to 60.5/1,000 in 1994.



#### Strategic Objectives.

To help continue this progress and ensure its sustainability, USAID-funded activities:

- Support programs and policies that enable couples and individuals to determine freely and responsibly the number and spacing of their children;

- Seek to reduce human immunodeficiency virus (HIV) transmission by increasing access to condoms, controlling sexually transmitted diseases (which enhance HIV transmission), and promoting safer sexual behavior;
- Support programs to reduce the unacceptably high maternal mortality in many LAC countries;
- Build on its successful child survival programs in the region to ensure continued impact and to reduce the remaining preventable mortality; and
- Support programs and policies to enhance equitable access to decentralized and sustainable health services.

#### 4. Protecting the Environment.

Economic growth in the LAC region has occurred at a high cost to the environment. Continued uneconomic exploitation of the environment and natural resource base will reduce future economic growth, raise health costs, and result in an irreplaceable loss of natural resources and biodiversity.

Long-term U.S. interests in helping LAC countries protect their environment include ensuring a growing market for our products through the economically sustainable development of one of our largest markets; preserving our own environment by helping LAC countries contribute less to global warming; and maintaining biodiversity areas as sources for medically useful organisms and inorganic matter, and for preserving gene pools that have the potential to greatly increase food production. More specific interests include reducing pollution in border areas with Mexico to mitigate negative effects in the United States, and creating effective environmental regulatory systems to even the playing field for U.S. and LAC producers under the North American Free Trade Agreement (NAFTA) and the proposed Free Trade Area of the Americas (FTAA).

##### Increasing Efforts to Address Environmental Problems.

USAID assistance has:

- Brought 1,172,000 hectares (2,895,000 acres) of agricultural and forest land under modern management systems in six countries (Guatemala, Honduras, Jamaica, Nicaragua, Panama, and Peru) through 1993;
- Improved the management of 55 parks containing biological diversity of global significance;
- Helped Mexico toughen its environmental regulatory framework for free trade; and
- Assisted nine countries over the last three years to establish endowments that fund private environmental activities on a sustainable basis.

##### Strategic Objectives.

USAID supports programs in LAC countries that:

- Improve resource management for sustainable economic growth, particularly in natural forest management, marine ecosystems, and agriculture;
- Assist in the control, reduction, and prevention of urban and industrial pollution;

- Promote the development of sustainable and renewable energy sources and encourage conservation, improved efficiency, pricing reform, and privatization of the energy sector;
- Reduce greenhouse emissions through sustainable energy production and natural forest management;
- Conserve biological diversity in the Americas, both terrestrial and marine;
- Promote strong civic organization and participation in protecting the environment; and
- Strengthen and harmonize their environmental standards for accession to the FTAA, by supporting the development of policies and institutions responsible for compliance with regulations and by supporting access to cleaner and environmentally friendly technologies.

#### Combatting Drug Trafficking.

Illicit drugs corrupt institutions and tear at the social fabric of the United States and almost all Latin American and Caribbean countries. Too many people in the hemisphere ruin their lives or suffer random violence because of illegal drugs and the antisocial behaviors they engender.

As part of its program to reduce drug use here, the United States Government has embarked on a comprehensive program to get countries in the region to reduce the supply of drugs. Other U.S. Agencies are helping Latin American governments to develop effective law enforcement systems and educate citizens to the dangers of drugs. USAID helps key source countries to provide environmentally sound, economically sustainable alternatives to illegal drug production, and to improve the administration of justice.

#### Sustainable Development Countries.

USAID's activities are carried out in those countries within the region that:

- have the lowest per capita GDP and quality of life indices; or
- are major contributors to USAID's three global concerns: world population growth, global warming, and loss of biodiversity;

Programs will continue in 16 countries -- 12 core and 4 other sustainable development countries. These countries accounted for 82% of two-way U.S.-LAC trade in 1994.

The 12 core sustainable development countries rank lowest in the region in GDP per capita and the UNDP's Human Development Index. They are:

#### Caribbean

Dominican Republic  
Guyana  
Haiti  
Jamaica

#### Central America

El Salvador  
Guatemala  
Honduras  
Nicaragua

#### South America

Bolivia  
Ecuador  
Paraguay  
Peru

These countries have not yet reached a point where their development is sustainable. As a result, our programs there address all, or almost all, of USAID's strategic objectives. Countries in this category will need external assistance for a number of years to achieve sustainable development.

Three of the four other sustainable development countries -- Brazil, Colombia, and Mexico -- are major contributors to USAID's global concerns. The program in the fourth, Panama, addresses a major U.S. foreign policy concern: successful implementation of the Panama Canal Treaty. While their development is approaching sustainability, all four have a high percentage of citizens living below the poverty line and/or major problems of inclusion that may threaten the sustainability of their development. Programs in these countries are limited in scope to one or two strategic objectives.

Development progress in 11 LAC countries has been strong enough that they will be graduating from USAID assistance programs in FY 1995 and FY 1996. These countries are Argentina, Belize, Chile, Costa Rica, Uruguay, and the six nations of the Organization of Eastern Caribbean States (Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines).

#### LAC Countries as Partners.

All of the sustainable development countries in the LAC region are good partners. All have now taken significant measures to improve their economic policies in response to the economic crisis of the 1980s and the radical change in the international economic environment that accompanied it. Some countries began the reform process relatively early (e.g., Mexico), while in others the process did not begin in earnest until the mid to late 1980s (e.g., Bolivia, El Salvador), early 1990s (e.g., Nicaragua, Peru), or even last year (Brazil). The results of reform are apparent: all except Nicaragua and Haiti have resumed economic growth.

All of our LAC partners have democratically elected governments, with a few -- Guatemala, Haiti, Nicaragua, and Peru -- still struggling to overcome the legacy of undemocratic regimes in the recent past. All are making progress in addressing the basic education and health needs of their citizens, although the rate of progress in some countries (e.g., the Dominican Republic, Guatemala, and Paraguay) is still slow. All exhibit good progress in reducing population growth, and most are taking steps to improve the environment. Finally, all have demonstrated a willingness to seek agreement with us on matters of mutual interest.

#### Donor Coordination.

For the entire LAC region, USAID's funding request of \$654 million appears modest compared to the \$5.2 billion in loans approved by the Inter-American Development Bank (IDB) in calendar year 1994, or the \$4.7 billion in World Bank commitments during its fiscal year ending June 30, 1994. However, if the comparison is restricted to USAID's 12 core sustainable development countries, USAID's \$618 million, compared to \$211 billion for the IDB and \$865 million for the World Bank, still makes us a major player. Although USAID is no longer the principal donor in these countries, as we were during much of the 1980s, the latest available data (1992) show that we are still the most important bilateral donor, playing a role similar to that of the European countries in Africa and Japan in Asia and the Pacific. LAC countries, as well as other donors, continue to look to USAID as a major source of policy advice and technical assistance. Our strong, day-to-day field presence in the countries where we work gives us insights and influence that the other donors do not have, thus making USAID's role far more important than the dollar amounts of our resources would suggest.

USAID has worked closely with the World Bank, the IDB, the International Monetary Fund (IMF), and the United Nations Development Program (UNDP), often acting as an innovative leader or catalyst on programs related to macroeconomic policy reform, arrears clearance, investment sector loans, and a

variety of reform-of-the state activities. In El Salvador, for example, USAID has cooperated with all four of these donors in a tax-modernization program whose key element was the introduction and successful implementation of a value-added tax. Quite recently, USAID worked closely with the World Bank, the IDB, and the IMF, as well as with the Treasury Department and other U.S. government agencies in developing and successfully implementing a program that made Haiti eligible once again for IFI lending.

USAID also continues to collaborate creatively with other bilateral donors, often permitting the Agency to leverage significant additional resources. For example, in Jamaica, USAID and the Japanese Overseas Economic Cooperation Fund (OECF) are co-financing the design and construction of five infrastructure projects that address major constraints to tourism development. USAID is providing \$5 million in advisory services, while Japan, with no field presence in Jamaica, is lending \$86 million for engineering and construction services. These OECF loans are untied to procurement in Japan, allowing U.S. firms to compete for Japanese-funded contracts.

Collaboration between USAID and other U.S. agencies has included joint meetings with the Health and Human Services Department, the State Department, the Peace Corps, and the Office of National AIDS Policy to develop proposals for the Summit of the Americas, which endorsed USAID's health and population initiative; and joint programs with the Environmental Protection Agency, the U.S. Department of Agriculture, and the U.S. Forest Service to improve environmental impact assessments in Brazil and Central America.

#### **Debt Relief.**

The LAC debt crisis more than a decade ago put the health of the entire international financial system at risk. The measures by which the region pulled itself out of the crisis were politically courageous, but exacted a heavy price in terms of the sacrifices in standard of living demanded of the population. The fruits of these sacrifices are now being felt in the region's renewed growth and access to international capital markets.

Nonetheless, some countries in the region -- Guyana, Jamaica, Nicaragua, and Panama -- still shoulder some of largest debt burdens per capita in the world. For heavily indebted countries, a significant percentage of public sector revenues is diverted toward debt service, and away from social and productive investments. For the poorest countries with large burdens of U.S. official debt, relief through debt forgiveness may be provided under the auspices of the Paris Club. For other LAC countries, such relief is currently limited to rescheduling, also through the Paris Club.

## BOLIVIA

FY 1996 Development Assistance Funds Request:.....	\$40,531,000
FY 1996 P.L. 480 Title II Request:.....	\$17,898,000
FY 1996 International Narcotics Control Funds Request:.....	\$30,000,000

Bolivia is important to the United States because: (1) Both countries share a common interest in the democratic process and the promotion of good governance; (2) The international drug trade damages both the United States and Bolivia. We must continue to assist Bolivia to develop alternative crops and employment opportunities to counteract the illegal drug cultivation, production and trafficking; (3) Bolivia generally supports the United States on important issues in international fora, and maintains a relatively open foreign trade regime with low tariffs, free movement of capital and the absence of trade restrictions; (4) Successive Bolivian governments have pursued the kinds of sound economic policies and structural adjustment reforms that underpin and assure productivity and sustainability of development assistance programs; and (5) Bolivia is one of the leaders in Latin America in concern for the environment and protection of biodiversity.

United States assistance over the past 50 years has proven to be a good investment. Bolivia's fragile democracy is now in its 12th year. Bolivia is fast becoming a player in the international community: Bolivian police serve on the international force assisting Haiti's return to democracy, and Bolivia will host the 1996 Hemispheric Summit on Sustainable Development and the Environment. The United States is Bolivia's major trading partner for capital goods, and imports from the United States grew 10.6% a year from 1989 to 1993. The United States continues to help Bolivia --one of the poorest countries in Latin America -- control the scourge of disease and poverty and reduce the unacceptably high infant and maternal mortality rates through innovative family health programs and food assistance.

#### The Development Challenge.

USAID is helping Bolivia modernize and confront critical developmental challenges. These development challenges are caused by severe poverty and malnutrition, exacerbated by its position as the world's second largest producer of coca. This strains Bolivia's fragile democratic institutions and hinders sustained economic growth. Since the mid-1980s, a series of democratically elected Bolivian governments have established and maintained a base of solid macroeconomic policies; have moved to deepen stabilization measures; have increasingly addressed the social needs of its poor, predominantly indigenous people; have taken steps to confront the dangers of narcotrafficking to its society, democracy, and economy; and have been in the forefront of reforms to address the sustainable development needs of its people. The Government of Bolivia's (GOB) vigorous pursuit of five priorities (popular participation, capitalization, education reform, judicial reform, and sustainable development) bode well for significant sustainable development advances. USAID works with the Bolivian people and authorities to carry out a bilateral program of financial and technical cooperation to achieve common objectives aimed at improving the lives of Bolivians within a framework of democracy, social justice, and economic opportunity.

#### Strategic Objectives (SOs).

USAID has adopted four strategic objectives to pursue those goals in Bolivia and to advance USAID's worldwide goals of building democracy; encouraging broad-based economic opportunity and access; stabilizing population growth and protecting health; and protecting the environment. These four strategic objectives were carefully chosen and refined to establish a means for significantly improving Bolivia's sustainable development achievements and the prospects for continued improvements in the future. They were selected taking into account the activities of other donors and the comparative advantage of USAID as well as Bolivia's needs and priorities. For example, although there is universal

agreement that major improvements in Bolivia's primary education system are needed, USAID has chosen to leave this critical area to the World Bank-led effort, which has coordinated the provision of over \$178 million in international assistance for the first phase of Bolivia's education reform, while USAID concentrates its financial and personnel resources on the four strategic objectives summarized below.

**BUILDING DEMOCRACY** (\$2,824,000 of which \$2,124,000 is DAF and \$700,000 is INCF).

**SO 1. Improved effectiveness and accessibility of key democratic institutions and practices** (\$2,824,000 of which \$2,124,000 is DAF and \$700,000 is INCF).

Sustainable solutions to the problems of development lie primarily in the creation of institutions which allow people to participate fully in the political and economic life of their country. USAID's focus on democracy is particularly timely given Bolivia's commitment to strengthen democracy as evidenced by the recent passage of very important laws which USAID is assisting the GOB to implement. The Popular Participation Law allocates significant funds on a per capita basis to municipal governments and mandates citizen participation in the municipal budgeting and project planning process. The recent amendment of the Constitution to create the Judicial Counsel is potentially the most far-reaching manifestation of Bolivia's intent to democratize, depoliticize and upgrade the judiciary. This high level counsel has been assigned all judicial appointment, screening, selection and personnel system responsibilities as well as responsibility for management of the judicial branch budget.

Activities. Assistance is focused on strengthening the justice system, particularly on improving the efficiency and fairness of criminal prosecutions (drug-related and other) while assuring an adequate defense to the indigent accused; consolidating legislative staff services in the Bolivian Congress and creating channels for direct constituent access to members; supporting local level empowerment and the participation of the predominantly indigenous majority in the local government decisions which affect them; and improving the effectiveness, transparency and financial integrity of public institutions i.e. electoral courts, the Ministries, the Congress, and the Judiciary.

Democracy is ultimately based on transparent and accountable public institutions, achieved through widespread open debate, decision-making and compromise, and effective participation of active grassroots organizations in government. USAID's assistance to the National Electoral Court has led to increased confidence in the electoral process through training and support for modern voter verification systems. USAID is supporting the Bolivian Office of Public Defenders and neighborhood conciliation centers to bolster human rights, access to justice by the indigent accused and, in collaboration with other donors, justice sector reform. USAID support to bicameral, non-partisan, legislative support services has led to an improved budget formulation process, as well as enhanced bill drafting and information services in Congress.

Related Activities. The P.L. 480 food for work program is effectively strengthening neighborhood empowerment and citizen participation in community decision making.

Indicators. USAID indicators for measuring progress toward achieving this objective are to: (1) increase the number of cases completed within legally prescribed time periods in first-level criminal courts from essentially nil in 1994 to 20% in 1996; (2) increase the number of alternative dispute resolution centers from three in 1993 to 15 in 1996; (3) increase the number of laws originating in Congress from two in 1994 to six in 1996; and (4) increase the number of functioning municipalities incorporating popular participation from nil in 1994 to 20% in 1996.

Feasibility and Cost-effectiveness. USAID is uniquely poised to offer meaningful and timely assistance in support of the GOB's major popular participation law enacted in 1994. USAID resources appropriately applied over the next five to ten years can have significant impact on extending democratic practices; approaching universal voter registration (reaching the unregistered third of Bolivia's eligible voting population, mostly rural women); support for a truly representative Congress;

and human capital development at the grassroots level, such as training PVOs and local government officials. The first municipal elections to be conducted under the new Popular Participation Initiative are scheduled for December 1995. The democratic development and citizen participation, human resources for development, and Bolivian peace scholarship projects will directly impact on the success of the GOB's key reform initiatives.

Progress in 1993-1994. The free and open election of new legislative and executive branches of government in June and municipal elections in December 1993 culminated an unprecedented 12 years of democracy in Bolivia. The success and transparency of the elections was due in significant part to the success of USAID assistance to the National Electoral Court, which included training of 98,000 polling jurors. The general acceptance of the record number of voter entries reflects the widespread confidence in the electoral courts and modern voter verification systems supported by USAID. The Popular Participation Law, viewed as the most important redistribution of political and economic power since Bolivia's 1952 revolution, is one of the centerpieces of the GOB's new policy and is indicative of its commitment to democracy. The democratic development and citizen participation project was conceived to be directly supportive of this new government initiative. For the first time, Bolivia has established an independent Ministry of Justice and budget resources for public defense. USAID is furthering human rights in Bolivia through its support to the Office of the Public Defenders, as well as its support of pilot activities through the Inter-American Bar Foundation to establish neighborhood conciliation centers. Significant advances were made with the Bolivian legislature by support provided through the State University of New York. In addition to directly assisting the Vice President in planning for carrying out his responsibilities as President of the Congress, bicameral, non-partisan, legislative support services were established, including a Budget Office, a Bill Drafting Service, and an Information and Research Center.

Donor Coordination. Collaboration with other donors continues through joint planning and implementation of parallel USAID, World Bank, Inter-American Development Bank, and other bilateral donor financing of justice sector and popular participation reform. USAID is working to ensure that a planned World Bank-supported justice sector reform program is complementary to and supportive of USAID's work in this area.

Constraints. Bolivia's fragile democratic tradition manifests itself in limited popular participation in local and national government decision making, justice denied through its delay by the lengthy time needed to resolve criminal and civil legal cases, and one-fourth of the eligible voters remaining to be registered.

**ENCOURAGING ECONOMIC GROWTH (\$44,197,000 of which \$14,897,000 is DAF and \$29,300,000 is INCF).**

**SO 2. Expanded economic opportunity and access (\$36,338,000 of which \$7,038,000 is DAF and \$29,300,000 is INCF).**

Bolivia's pervasive poverty makes it susceptible to demagogues who may threaten democracy, and to the pernicious lure of narcotraffickers. Endemic poverty also makes sustainable improvements in health conditions extremely difficult, and conservation of natural resources a luxury in the short-term. Bolivia's primary hope for sustainable, and equitable, increases in incomes is to increase the Bolivian citizen's opportunity for and access to legal employment. USAID's objective is to assist Bolivia, especially the Bolivian poor, to accomplish that by supporting activities which will generate the jobs and incomes which are the most immediate need for Bolivia's poor, and which will provide viable economic alternatives to coca cultivation and processing.

Activities. USAID will manage \$30,000,000 of International Narcotics Control Funds to support agricultural research, extension and marketing, and infrastructure for the Chapare's sustainable non-coca growth and to inhibit migration to coca-growing areas; an administration of justice activity; activities in drug awareness and prevention; balance-of-payments support for debt servicing and

counter-narcotics policy dialogue; and alternative development rural electrification extending electrification grid to promote licit business development in the Chapare.

Helping Bolivia to increase the opportunities for legal employment is the key to sustainable development and marginalizing the influence of narcotraffickers. This assistance supports national programs for microenterprises, financial sector and pension reform, and nontraditional exports, as well as licit agricultural production and marketing and related infrastructure activities in the principal region of illegal coca production and employment. Also included is balance of payments support which contributes to economic stabilization and growth by providing foreign exchange for debt relief and by supporting the ongoing policy dialogue on counter-narcotics and economic reform issues.

Other Activities. P.L. 480 Title II resources advance Bolivia's food security, monetization, and food for work programs and contribute toward meeting the economic opportunity objective.

Indicators. The indicators for measuring progress toward achieving this objective are: (1) a decrease in the size of illicit coca and cocaine exports as a percent of the legal economy from 83.7% in 1988 to 10.3% in 1996; (2) a decrease in the size of the illegal coca economy as a percent of the legal economy from 8.5% in 1988 to 1.2% in 1996; (3) an increase in total value of nontraditional exports from \$262 million in 1991 to \$425 million in 1996; (4) an increase in gross domestic product (GDP) growth rate from 3.0% in 1988 to 4.9% in 1996; and (5) an increase in the number of poor households not served by traditional financial institutions (development and commercial banks), receiving financial services under USAID-assisted programs from 62,000 in 1993 to 125,000 in 1996.

Feasibility and Cost-effectiveness. Currently, only about 7% of Bolivia's population has access to banking services. USAID's ongoing micro and small enterprise project supports Bolivia's credit union system and is enhancing the viability of a handful of microfinance institutions in preparation for a major expansion of this sector over the next several years to broaden access to financial services. Experience and the desire to maximize the number of beneficiaries from USAID microfinance assistance led to the dramatic new approach of the microfinance project scheduled to start in FY 1995. Although USAID-supported new credit technologies for microenterprises proved their merit in periurban areas, and currently are serving around 60,000 people (more than the total number of customers from all the rest of Bolivia's commercial banks), limited donor funds indicate the need for a radical change in order to meet the credit needs of those heretofore outside formal financial markets. Grant financing for unlicensed microfinance credit institutions at most can leverage one or two-to-one times its value. Licensed, regulated, and supervised institutions, however, can leverage up to 11 or 12 to 1 times their equity financing. USAID estimates Bolivia's microfinance market at about 500,000 families with a demand for some \$250 million. With the leveraging of existing equity and the provision of new equity financing and institutional support to microfinance institutions and with the help of the Superintendency of Banks and Financial Institutions in regulating the system, we believe we can help microfinance institutions reach half these families by the end of the decade.

USAID is committed to the sustainable alternative development approach of creating jobs and income throughout the Bolivian economy and reducing the overall macroeconomic effect of coca production and trafficking. The Cochabamba regional development project is USAID's centerpiece counternarcotics effort and has achieved measurable success in promoting alternative income and employment sources with substantial and growing markets being opened for licit products including an increase of licit crops by 31.5% in 1994.

Progress in 1993-1994. Results have been positive across the board. The private sector continues to respond slowly but surely to the country's relatively new environment of stability and free market policies. Private investment has shown modest growth and growth in nontraditional exports has been very strong. In the Chapare, the principal source of illicit coca, recent satellite imagery shows remarkable increases in licit crops and in early 1993 over 60% of the land under crops was estimated to be planted to licit products. The Cochabamba valleys, the source of much of the labor for the illicit

coca industry, are now well served with all weather roads with good bridges and drainage, giving most communities reasonable access to regional market centers. USAID-supported activities are expanding Bolivia's dynamic microfinance sector. The small and microenterprise project and the P.L. 480 Title II food monetization program continued to support microenterprise training and credit programs for women in poor rural and periurban areas of the Altiplano and across the country. Permanent jobs created through USAID-supported programs doubled in 1993 to 17,000, nearly twice the target. Macroeconomic performance improved in 1994 over 1993. The 4% increase in GDP growth exceeded earlier projections largely due to better than expected export performance.

Donor Coordination. USAID remains the major donor in support of sustainable alternative development activities in Bolivia although the United Nations, Germany and other bilateral donors have stepped forward to assume greater responsibility in this area. USAID is the recognized leader in the microfinance sector and has worked closely with the World Bank in developing the proposed \$16.3 million financial markets loan.

Constraints. The limited access of large segments of Bolivia's citizens to economic opportunities threatens broad-based economic growth as well as perpetuating poverty and undermining Bolivia's fragile democracy. Equitable economic growth is constrained by the economy's reliance on a few traditional, mostly mineral, exports; continued heavy dependence on the illegal coca economy (23.0% of legitimate exports and 1.9% of the legal economy in 1993); the paucity of financial services available to poor households; the lack of sufficient employment (especially in legal activities in rural areas); and the absence of adequate retirement and pension systems for most people.

In addition to this objective, USAID assists Bolivia's economic growth through activities that address global threats to health in Bolivia, as discussed below.

#### STABILIZING POPULATION GROWTH (\$17,997,000)

SO 3. Improved family health throughout Bolivia (\$25,856,000, of which \$17,997,000 DAF is for Stabilizing Population Growth and \$7,859,000 DAF is for Economic Growth).

This assistance contributes to improving the family health of Bolivians, at present among the worst in Latin America. Particular attention is paid to women of reproductive age, infants and children under five, as well as the special needs of the economically disadvantaged. In addition to improving the capacity of the human resource base, the health program contributes to political stability and economic growth.

Bolivia benefits from the presence of numerous, dynamic and growing nongovernmental organizations (NGOs) active in providing health services throughout the country. USAID has worked extensively with NGOs, and in recent years, cooperation with the governmental sector has increased. The present government has adopted ambitious plans which will potentially change the face of the health sector in Bolivia. USAID is adapting its assistance to these new directions, and sees great potential in the reforms for improved accountability and management within the sector. USAID is building on its successful experience with primary health care, cost-recovery systems, technical support to national child survival programs, and a new openness in family planning to expand its support to improve family health in Bolivia through NGO, private sector and governmental channels.

Activities. USAID's family health strategic objective supports interventions to ameliorate immediate threats to the health status of women and children who represent the most disadvantaged groups in society due to the risks caused by pregnancy, birth and sick child care responsibilities, and their vulnerability to disease and malnutrition. Its focus on the family targets the locus where human and economic investments come together. Global threats to health, such as human immunodeficiency virus (HIV) infection and acquired immuno-deficiency syndrome (AIDS), are being addressed before they reach epidemic proportions as are health problems unique to Bolivia, such as Chagas disease. USAID

provides almost 80% of donor assistance to the national family planning program, as well as nearly all contraceptives. USAID also assists the GOB national communication campaign on family planning, which is expected to increase contraceptive use and demand for services; the reinforcement of direct service delivery by training doctors, nurses, and social and community workers in maternal health services; and the promotion of good maternal health policy by the GOB.

**Related Activities.** These efforts are strengthened by PL 480 Title II resources which provide substantial support to improved maternal and child health and food security of the poorest in the country.

**Indicators.** The indicators for measuring progress toward achieving this objective are to: (1) decrease the infant mortality rate from 80 deaths per thousand live births in 1992 to 64 in 1996; (2) decrease the child mortality rate from 142 deaths per thousand live births in 1984 to 84 in 1996; (3) decrease maternal mortality from 480 deaths per hundred thousand in 1982 to 240 in 1997; (4) increase modern contraceptive prevalence from 12.2% in 1989 to 23.4% in 1996; and (5) increase total contraceptive prevalence from 30.3% in 1989 to 48.0% in 1996.

**Feasibility and Cost-effectiveness.** There has never been a more positive environment for rapid advancements in family planning. For the first time, in 1994 the GOB officially adopted an ambitious contraceptive prevalence target in its national health plan and has set other policies favoring a rapid expansion of family planning services. The private and nongovernmental sectors are both planning for an expansion of services to meet an unmet demand for family planning services among women of reproductive age.

**Progress in 1993-1994.** Strategic objective-level indicators continue to show improvements in the health of Bolivians, and USAID assistance has made a significant contribution to this progress. Using well known technologies such as vaccination, and promoting the use of oral rehydration therapy, Bolivia has cut the infant mortality rate in half from over 160 to below 80 in less than 15 years, an impressive achievement. The present rate is still the highest in the region. While vaccination coverage rates have risen appreciably, accessibility and use of oral rehydration therapy is still low. USAID, in conjunction with other donors, is promoting the local production, and commercial distribution of oral rehydration salts to complement government programs, and the use of proven adult education and social marketing techniques can further extend the use of this life-saving therapy. Through a debt-for-development exchange, USAID provided a Bolivian network of child survival NGOs resources to strengthen the local network and provide child survival programs providing child and maternal health services to the poorest 20% of Bolivia's population. The USAID-supported Interactive Radio Learning Program is cited in the 1993 *World Development Report* by the World Bank as an example of success with health education through radio lessons.

**Donor Coordination.** USAID directly coordinates family health activities with the United Nations Children's Fund (UNICEF), Pan American Health Organization, World Bank, Inter-American Development Bank, and bilateral donor programs. The Interagency Coordinating Committee for the Expanded Program of Immunization is one of the first and most successful examples of donor coordination in the health sector in Bolivia.

**Constraints.** Democracy and preservation of the environment become longer-term goals when 75 to 80 of every 1,000 babies born die before their first birthday, and the ability to retain or be productive in a job is severely constrained when malnutrition is so rampant that it is associated with four out of every five deaths of children under five.

In addition to addressing population growth, this objective also supports economic growth through its health-related activities.

PROTECTING THE ENVIRONMENT (\$5,513,000 DAF)

**SO 4. Reduced degradation of forest, soil and water resources, and protection of biological diversity (\$5,513,000 of DAF).**

Bolivia's geographic position in the heart of South America makes it a country unusually rich in ecological diversity. The country's rich, carbon-absorbing forests and their biological diversity are being destroyed at an alarming rate, however, even before they -- or their role in maintaining the global balance -- are fully known or understood. USAID's concern for Bolivia's environment goes beyond the country's borders. Its program focuses directly on two of the top global priorities for the environment: conservation of biological diversity and mitigation of global warming.

Activities. Assistance in this area focuses on reducing degradation of Bolivia's forest resources and the biological diversity they contain and on improving soil and water management practices. Support is provided to identify environmentally-friendly uses for forest resources ("eco-certification" of tropical forest products) and to discourage burning of forest lands for other uses. Management for results helped in developing the concept for the Chaco indigenous resource management project, proposed for FY 1996, which establishes territorial boundaries, legal status and formalizes recognition of the indigenous population in the Government. Biodiversity conservation activities will be targeted directly to indigenous peoples' management and enhanced involvement in environmental decision-making.

Related Activities. Under the Environment for the Americas initiative, USAID works closely with the GOB and the small and still inexperienced community of environmentally conscious Bolivian NGOs and organized community groups to improve rural and urban environmental management and to improve policy making, planning and environmental awareness.

Indicators. The USAID indicator for measuring progress toward achieving this objective is to increase the number of hectares under improved management. For 1994, the number of hectares estimated was 1,000 and the project surpassed that goal six-fold. By 1996, the number of hectares is expected to increase to 50,000. USAID expects current targets will be substantially exceeded. This will result in an important decline in the deforestation rate, an increase in biodiversity protected, and a decline in losses in soil and water quality and quantity.

Feasibility and Cost-effectiveness. Development experience underscores the fact that truly sustainable economic development requires careful resource management and investment for the long term, although this can be difficult for a poor nation like Bolivia. Although difficult, attention to the sustainable use of its natural resources now is essential if future generations are to have a chance at sustainable development. Without such investments today, Bolivia's children will inherit a biologically impoverished nation tomorrow, and fall further into the downward spiral of poverty -- unable to access productive, legal jobs; to improve their health status; or to support the challenges inherent in a vibrant, participatory democracy. Forestry activities will help promote eco-certified products.

Progress in 1993-1994. In 1994, the GOB created a new and powerful Super-Ministry of Sustainable Development and the Environment -- using the recommendations of an environmental team from Vice President Gore's office as a blueprint. Important legislation, now under development with USAID support, includes a progressive new biological diversity law, a new forestry law, and a new land tenure law. USAID-supported training through the Bolivian Peace Scholarship and the Bolivia Forestry Management (BOLFOR) project is increasing the human resource base required for sound environmental management.

Donor Coordination. The World Bank continues to be a major player with the Global Environmental Fund and Environmental Technical Assistance projects. Switzerland, Canada, Holland, Inter-American Development Bank, and the United Nations Development Program are also becoming increasingly important donors in this area.

Constraints. Sustainable resource use will require improved policies, technologies, institutions, and informed public participation. The great bulk of Bolivia's forest resources and biological diversity lie outside parks and protected areas. This means these forests must be worth more to local peoples as forests than through conversion to other uses, if the forest cover is to be maintained. This will require new forest policies to encourage investment in forest management, with new legislation governing forest use. It also will require widespread adoption of improved, low-impact, forest product harvesting practices, with new technologies and additional income streams.

**PROMOTING HUMANITARIAN ASSISTANCE (\$17,898,000 PL 480 Title II).**

USAID's PL-480 Title II program has shown to be an excellent resource for fulfilling the Agency's Humanitarian Assistance mandate. Because it is a land-locked country encompassing three distinctly different geographical and climatic zones, Bolivia is prone to natural disasters. Typical disasters are droughts, floods, mud-slides, and severe hailstorms; some occur simultaneously. USAID, through its cooperating sponsors, Civil Defense and other GOB entities, has a rapid and well-developed network to provide emergency food assistance to the families affected. Currently, the country is undergoing flooding in the eastern part of the country (USAID provided 152 MT of emergency food) and severe drought in the western part of the country (USAID provided 308 MT). The Office of Foreign Disaster Assistance is providing an emergency grant for water cisterns to assist in the latter emergency, and also regularly uses Bolivia as its site for regional and international seminars on disaster assistance and emergency preparedness.

**Other Donor Resource Flows.** In FY 1994, the United States was the largest bilateral donor to Bolivia, providing 40% of all bilateral assistance and 15% of all total aid. Other significant donors were the Inter-American Development Bank, World Bank, Andean Development Corporation, United Nations, European Community, Japan, Germany, and Spain.

**BOLIVIA**  
**FY 1996 Program Summary**

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	Total
<b>USAID Strategic Objectives</b>						
<b>1. Improved effectiveness and accessibility of key democratic institutions and practices</b>						
Dev. Assistance Fund				2,124,000		2,124,000
Int. Narc. Control Fund				700,000		700,000
<b>2. Expanded economic opportunity and access</b>						
Dev. Assistance Fund	7,038,000					7,038,000
Int. Narc. Control Fund	29,300,000					29,300,000
<b>3. Improved family health throughout Bolivia</b>						
Dev. Assistance Fund	7,859,000	17,997,090				25,856,000
<b>4. Reduced degradation of forest, soil and water resources and biological diversity protected</b>						
Dev. Assistance Fund			5,513,000			5,513,000
P.L. 480 Title II					17,898,000	17,898,000
<b>Total</b>	<b>44,197,000</b>	<b>17,997,000</b>	<b>5,513,000</b>	<b>2,824,000</b>	<b>17,898,000</b>	<b>88,429,000</b>

USAID Acting Mission Director: Lewis Lucke

## BRAZIL

FY 1996 DEVELOPMENT ASSISTANCE FUND REQUEST:.....\$16,927,000

Brazil is critically important to the U.S. national interest because of its vast size, huge population and economic potential. These attributes make Brazil the predominant power in Latin America, a strategic ally of the U.S. and a valuable trading partner. The U.S. interest in long-term sustainable development in Brazil is hampered by Brazil's past performance of poor economic management, an extremely uneven distribution of income, and serious problems in issues of global importance such as the environment, population and health care. Recent elections indicate a renewed commitment by the Brazilian government to resolve long-standing constraints to development, such as hyper-inflation, weak democratic institutions, and social inequality. Modest U.S. assistance can play a catalytic role in the economic and social transformation that Brazil is initiating.

#### The Development Challenge

USAID assistance to Brazil is carefully targeted in areas of critical need for the Brazilian development process and where the U.S. has a comparative advantage in technical assistance: environmental protection, women's health, and AIDS prevention.

Deforestation in the Amazon is a problem which has elicited considerable concern internationally. USAID is supporting environmentally sound land use and systems for sustainable management of cleared and forested areas in the Amazon. These programs are critical to stopping the destruction of the Amazon rain forest and providing economically viable alternatives for inhabitants of the area.

Health care in Brazil is characterized by a weak service delivery system that neglects preventive care and concentrates resources on expensive curative care for select populations. USAID is assisting the development and implementation of service delivery systems, public and private, for low-income people, that emphasize preventive services, especially in maternal and child health. Improving the provision of family planning services is a priority.

Brazil has the fourth highest number of reported acquired immune deficiency syndrome (AIDS) cases in the world and it is estimated that one million Brazilians are infected with human immunodeficiency virus (HIV). In conjunction with local health departments and nongovernmental organizations (NGOs), USAID provides technical assistance in the implementation of sexually transmitted diseases (STDs)/HIV prevention programs for populations at high risk of infection. Using technical experts from key U.S. institutions, USAID facilitates the development of appropriate educational and informational campaigns, improvement of service delivery systems and the training of critical health care personnel to prevent further spread of HIV/AIDS.

#### Strategic objectives (SOs)

The USAID program has three strategic objectives in the areas of environment, family planning, and AIDS prevention. Eighty percent of the USAID program is implemented by American private voluntary organizations (PVOs) and Brazilian NGOs carrying out programs in poor communities in the Amazon, the impoverished Northeast, and the slums of Sao Paulo and Rio de Janeiro.

**STABILIZING POPULATION GROWTH.....(\$7,238,000)**

**SO 1. Increase access to contraceptive methods and integrated family planning services in order to improve maternal health (\$7,238,000).**

Brazil's high aggregate contraceptive prevalence rate of over 55% exists despite regional variations and serious distortions in the family planning sector that have important implications for maternal health. Over 90% of contraceptive users rely on only two methods, female sterilization and oral contraceptives. USAID's family planning strategy focuses on improving the general poor quality of existing family planning services which have a negative impact on maternal health, and ensuring that a balanced, high-quality program exists in target areas by the end of this final assistance period, 1993-2000. The USAID strategy concentrates on expanding the limited range of family planning methods available, increasing information about maternal health care, and integrating family planning with women's health care delivery systems in the private and public sectors.

Activities. To improve quality of family planning services, activities focus on training of providers in all methods and quality of care, providing contraceptive commodities, and technical and financial support of service delivery strategies. To improve sustainability of family planning delivery systems, assistance and training are provided to develop commodity distribution systems to replace USAID donated commodities, support linkages between the public and private sectors for family planning, and improve public sector management of family planning services. These activities have been concentrated increasingly in two target states in Northeast Brazil, Bahia and Ceará, which have a combined population of over 20 million. USAID-supported cooperating agencies are providing assistance to state-wide maternal health and family planning programs. Training and technical assistance is provided in maternal health, strategic planning and evaluation of service delivery, and provision of information to clients. These programs are led by the state public health authorities and include efforts by private sector organizations. The provision of contraceptive commodities is being phased over to non-USAID sources, to ensure a regular supply of commodities by the year 2000, when USAID will phase out its family planning assistance to Brazil.

Related Activities. Complementing the agency goal of stabilizing population growth, the USAID program also focuses on protecting human health through a strategic objective of reducing rates of sexual transmission of HIV and STDs. The major interventions are STD prevention and control, through strengthening the local capacity to provide treatment and prevention services; behavior change communication, including the use of various types of media and the development and distribution of information, education, and communication materials regarding 2STD treatment, partner reduction, and condom use for those at high risk of HIV infection; and condom distribution, in conjunction with the Brazilian government and through social marketing, to increase the availability and reduce the price of condoms, and encourage regular and correct condom use.

Indicators. Indicators to measure progress in achieving this objective include positive changes in the following measures: (1) per cent of public sector service delivery points offering family planning services and (2) per cent of population that has available full range of contraceptive methods.

Feasibility and Cost-effectiveness. USAID family planning assistance carefully developed with U.S. based PVOs and local NGOs is already achieving results. Use of low prevalence methods such as IUDs and condoms is increasing in target areas. Donor coordination, particularly with the United Nations Family Planning Program (UNFPA), is highly effective and leverages USAID's resources. USAID's concentration in one geographic region and our links with private sector providers make our assistance sustainable and cost effective.

Progress in 1993-1994. Assistance has been provided to the Ceará and Bahia state programs in baseline data collection (situation analysis of public and private reproductive health services); strategic planning; training of service providers; and the provision of commodities. In Bahia, family planning

services have been extended to 200 out of the 400 municipalities in the state in 1994. A Commodity Procurement Organization has been set up with AID funding to import and sell family planning commodities. The International Planned Parenthood Foundation affiliate in Brazil, BEMFAM, and the largest family planning service provider in the country, has set up a commercial plan to market condoms which will help it achieve sustainability levels close to 90% by the year 2000.

Donor Coordination. UNFPA and USAID are providing coordinated support for a new innovative program in the northeastern state of Ceará which focuses on maternal health. Like Ceará's program, which won United Nations Children's Fund (UNICEF) awards for reducing infant mortality, this program could become a model for the rest of Brazil.

Constraints. USAID is by far the largest donor in the area of family planning in Brazil. Its present strategy foresees a complete phase out by the year 2000. Traditionally, the Government of Brazil has an ambivalent attitude toward family planning services which are constitutionally guaranteed, but poorly funded and often not actually available in the public health care system. Methods normally available in other countries including Norplant and Depo-Provera are still illegal in Brazil. USAID's success in convincing two large Northeast states to adopt comprehensive health care programs may signal a change in attitude that the new federal government will expand.

PROTECTING THE ENVIRONMENT.....(\$5,403,000)

SO 2. Increase the dissemination of environmentally and socioeconomically sustainable alternatives to deforestation, and renewable energy practices beyond target areas (\$5,403,000).

Brazil is considered a major contributor to greenhouse gas emissions because of deforestation and burning that take place to a large extent in the Amazon. By disseminating sustainable development alternatives throughout the Amazon region, CO<sub>2</sub> emissions are reduced and biodiversity is conserved, while stable economic growth is encouraged through a participative, democratic local-level approach. Although the Brazilian energy sector contribution to global warming is considered minimal at present, projected growth and saturated hydroelectric generation potential will require expanded use of renewable energy sources and increased energy efficiency. An additional program in renewable energy and energy efficiency is scheduled to start implementation in FY 1995 to address these needs. The proposed actions focus on private power initiatives in Brazil and will also provide opportunities for the U.S. commercial sector to participate in energy modernization.

Activities. A number of U.S. agencies and NGOs implement the environment program through agreements with in-country partners. Program efforts focus on activities at local, state, and regional levels designed to reduce deforestation in the Brazilian Amazon by providing sustainable alternatives. Protected area management is developed in two major national parks and two Extractive Reserves. Forest management alternatives for low-impact harvest of upland timber is researched in the largest timber-harvesting region in the Eastern Amazon. Agroforestry alternatives for restoring productivity to degraded cleared areas are developed in a participatory approach with small holders. Natural resource policy and environmental education are stressed at federal and state levels to judges and local educators to promote wise forest resource use. The proposed energy sector activities would be aimed at working with the private sector on renewable energy efficiency, independent power production and training.

Related Activities. Joint action of four USAID funded Global Climate Change (GCC) grantees (World Wildlife Fund (WWF), Environmental Law Institute (ELI), Environmental Protection Agency (EPA), and U.S. Department of Agriculture/Forest Service) together with Brazilian trainers, presented two environmental assessment training courses, in May and October 1994, that reached key individuals from all nine Amazon states. The trainees were committed to passing on understanding of environmental assessment procedures to their home institutions and have helped prevent a public license request for an ill-conceived industrial development project in the Amazon. In October 1994,

ELI delivered a seminar in Manaus, Amazonas State, to 35 federal and state judges on various aspects of environmental law and economics in Brazil. The seminar covered national environmental policy laws, enforcement mechanisms, citizen suits, environmental impact assessment and protected areas legislation. For most judges, this was the first exposure to the use of civil procedure in environmental cases. These activities demonstrate the importance of public participation in natural resource management issues and highlight the role environmental activities should play in developing civic procedures and institutions.

Indicators. The following indicators measure progress in achieving this objective:

- (1) Establish recommendations for forest policy in the Amazon to be adopted by federal agencies by 1996;
- (2) Establish wood products labeling criteria to be adopted by labeling organizations by 1995;
- (3) Increase number of hectares and per cent of land under improved management systems within target cleared areas;
- (4) Increase number and per cent of adopters using improved management systems within target cleared areas;
- (5) Increase number of hectares and per cent of land under improved management systems within target forested areas;
- (6) Increase number and per cent of adopters using improved management systems within target forested areas; and
- (7) Increase number of persons trained in target NGOs and government organizations.

Feasibility and Cost-effectiveness. The success to date of certain pilot efforts under the GCC program and the fact that much of this work is the best (if not the only) work in the Amazon on many key fronts increases the importance of disseminating these successful approaches. The program outcomes in the GCC program were slightly modified to better reflect the coordinated activities underway in the Brazilian Amazon. These refinements included new program-level indicators for the USAID GCC strategy. Although behavioral modification and the sustainability of management systems are difficult to quantify, it was decided that monitoring the area of land, the percentage of land area, and number and percentage of adopters of improved management systems best reflect positive changes necessary to conserve the Brazilian Amazon.

Progress in 1993-1994. USAID activities contributed to overall reduction in deforestation in the Brazilian Amazon in 1993-94, the third straight year that the rate of deforestation has decreased. In target forest communities, 46% of community members adopted improved agroforestry management systems in their previously cleared areas, decreasing cleared areas from 16.1% to 15.3% of the total area occupied by the communities. Brazil's environmental agency, IBAMA, accepted the first ever proposal for co-management of a National Park together with Fundação Vitoria Amazonica, an NGO supported by WWF under the USAID GCC program. An award-winning video production (best environmental video in 1994) featuring sustainable, low-impact timber-harvesting techniques developed by the Institute for Man and the Amazonian Environment (IMAZON), and a manual describing the sustainable management techniques is nearing completion as the first practical guide to reduce timber harvest waste in the Amazon. In response to two successive drought years, researchers at the Amazon Institute for Environmental Research (IPAM) developed together with small land holders strategies for the protection to avoid accidental forest fires and economic loss to planted agroforestry systems. A marketing manual for non-timber, forest products (NTFPs) was produced and has been distributed to groups assisting local producers aggregate value to improve local income distribution.

Donor Coordination. USAID has actively participated in emergency assistance to two science centers in the Amazon, through the Group of Seven (G-7) pilot program to Conserve the Brazilian Rain Forest, managed by the World Bank. USAID staff and several of its PVO partners have played major roles in the various World Bank-led missions to develop this \$250 million G-7 program. GCC pilot projects and applied research programs in agroforestry and rehabilitation of degraded lands have been used as models for the G-7 program.

**Constraints.** The USAID GCC program continued to make valuable contributions to the development setting of the Brazilian Amazon despite reductions in USAID funding during FY94. Local level impact has been significant, but since the GCC program operates mainly through NGO partnerships and not directly through Brazilian government programs, the opportunity to expand on success of the program has been limited by the reach of NGOs with limited funding. The G-7 pilot program to Conserve the Brazilian Rain Forest, which functions through official government channels, is now in its fourth year of negotiation with no money yet spent on local level actions. Brazil has also been reluctant to implement a national action plan that addresses greenhouse gas emissions, preferring to continue studies of sources and sinks of emissions.

**ENCOURAGING BROAD-BASED ECONOMIC GROWTH** .....(\$3,768,000 including \$559,000 under cross cutting issues.)

**SO 3. Reduced rates of sexually-transmitted HIV in target populations in two geographic regions of Brazil (\$3,209,000).**

Brazil ranks fourth among countries reporting AIDS cases (55,500 reported AIDS cases as of December 1994). It is estimated that over one million Brazilians are currently infected with HIV, with 60% of the cases sexually transmitted and 58% in the age group 25-34. High-risk groups, such as prostitutes, show accelerated HIV transmission rates; in a 1991 seroprevalence study the infection rate for prostitutes in three major cities of São Paulo state averaged 18%.

**Activities.** The major vehicle for implementing this strategic objective is the USAID Regional AIDS Prevention and Control Project (AIDSCAP), which in Brazil focuses on four groups with high-risk behavior (commercial sex workers, men who have sex with men, men away from home, and STD patients) in the states of São Paulo and Rio de Janeiro. The five-year budget totals \$10.3 million, 65% of which is distributed among the three major program areas of STDs, Behavior Change Communication (BCC), and condom distribution among the four target populations. The program includes supporting interventions such as logistics management to improve condom and STD drugs supply, private sector leveraging, and behavioral research grants.

**Related Activities.** The program includes supporting interventions such as logistics management to improve condom and STD drugs supply; private sector leveraging to promote AIDS prevention activities in the work place; and a behavioral research grants program focusing on populations at risk. Smaller amounts of support are provided to the Ministry of Health (MOH), PVOs, and local NGOs to strengthen their capacity to implement AIDS prevention activities. Policy reform is a critical activity, especially in the area of condom availability. Issues such as importation, taxation and tariffs, and domestic regulation are addressed under policy reform. Consultants financed under our AIDSCAP program were instrumental in designing the social marketing, condom procurement, and logistics management components.

**Indicators.** The following indicators measure achievements of this objective:

- (1) HIV seroprevalence rates in target populations.
- (2) STD incidence and prevalence over time.
- (3) Condom use.
- (4) Number of partners.

**Feasibility and Cost-effectiveness.** A recent review of the AIDSCAP program found impressive progress to date and affirmed the current strategy and scope of activity. The Brazil AIDSCAP program was the first major program initiated in Latin America and is among the most advanced in USAID's global attack on HIV/AIDS. Working in conjunction with large NGOs, state public health authorities, private sector employers and the World Bank funded national STD/AIDS prevention program, USAID is able to leverage resources and use our relatively limited funds in projects in which we have a

comparative advantage.

Progress in FY 1994. The AIDSCAP Brazil office developed 14 subagreements with NGOs, state governments and the private sector. The major achievements to date are improvement of STD prevention and control services in the public health service, through strengthening the local capacity to provide treatment and prevention services; expansion of behavior change communication, including use of various types of media and the development and distribution of materials regarding STD treatment, partner reduction and condom use; and design of a logistics system for the improved public sector distribution of condoms and STD drugs, designed in conjunction with the Brazilian government. A major achievement was the reduction in Brazilian taxes and tariffs on condom sales, which lowered prices considerably. As a result, condom sales are increasing.

Donor Coordination. USAID has hosted several local meetings in which donors to AIDS prevention activities have shared information and compared progress. USAID and MOH staff worked together to devise a training program to improve the efficiency and effectiveness of local NGOs that work in AIDS prevention. The course is now being offered in Brazil, funded by the MOH. Consultants financed under our AIDSCAP program were instrumental in designing the Logistics Management component of the national STD/AIDS prevention program.

Constraints. Protectionist legislation requires imported condoms to undergo testing not required of Brazilian manufacturers and at standards that differ from the international standards accepted by most countries. These tests delay commodity imports and make unpredictable a regular supply of condoms to our programs. The World Bank financed national STD/AIDS program is moving rapidly on some fronts, but is showing no action on important components such as condom social marketing and AIDS prevention in the workplace.

USAID also assists Brazil's economic growth objective through activities in economic policy described below.

CROSS-CUTTING ISSUES.....(\$1,077,000).  
(Includes \$559,000 of Economic Growth and \$518,000 of Democracy.)

Democratic Initiatives. The USAID democratic initiative program is a daunting task in a country as large as Brazil. However, USAID's experience in other sectors clearly demonstrates that a carefully prioritized program can have significant impact with carefully tailored support to the continent's largest democracy. Included in this program, USAID plans to provide continued program focus on Brazilian government accountability and transparency in governance and respect for internationally recognized labor rights.

Strengthening Economic Policy. USAID offers Brazil's public and private sectors an economic policy training program designed to provide short-term, state-of-the-art training to first and second-echelon Brazilian economic leaders. The four priority areas of the program are: (1) promotion of competition (demonopolization, antitrust, regulatory reform); (2) fiscal reform (tax administration, expenditure efficiencies, budgetary reforms); (3) privatization (especially of services); Regional economic integration, external trade liberalization, and income distribution.

Child Survival: USAID funds a three-year program to support organizations assisting at-risk youth in the three largest northeast cities in Brazil - Recife, Salvador and Fortaleza. The project targets youth (in about the 10-18 age range) who are at risk of becoming involved in drug use, prostitution, delinquency or living on the streets. The project is comprised of the following three components: (1) protection of children's rights and improvement of juvenile justice; (2) preventive youth development projects in low-income urban areas; and (3) support for young women at risk of sexual abuse or exploitation.

## Other Donor Resource Flows.

In FY 1995, the United States is the fifth largest provider of development assistance after the World Bank, the InterAmerican Development Bank, the United Nations agencies, Japan, and Germany. The United States provides about a third of the amount provided by Germany.

**BRAZIL**  
**FY 1996 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Total
USAID Strategic Objectives					
1. Increase Access to Contraceptive Methods		7,238,000			7,238,000
2. Environmentally and socioeconomically sustainable alternatives to deforestation and renewable energy practices adopted beyond the target areas			5,403,000		5,403,000
3. Reduced rates of sexually-transmitted HIV in target populations in two geographic regions of Brazil	3,209,000				3,209,000
Cross-cutting issues:					
Child Survival					
Democracy and Governance				518,000	518,000
Economic Policy	559,000				559,000
<b>Total</b>	<b>3,768,000</b>	<b>7,238,000</b>	<b>5,403,000</b>	<b>518,000</b>	<b>16,927,000</b>

USAID Mission Director: Edward L. Kadunc

## COLOMBIA

FY 1996 Development Assistance Fund Request: .....\$ 2,808,000

Colombia, one of the oldest democracies in Latin America with 32.8 million people, has a strong and growing economy. However, both the democratic system and, indeed, the economy itself, have been challenged over the last decade by burgeoning problems in narcotrafficking and attendant corruption, and to a lesser extent, by population growth. The former problem in particular has posed an increasingly serious threat because of significant levels of narcotics exports to the United States. U.S. assistance to Colombia supports U.S. interest by promoting strengthened legal and judicial systems to deal with the narcotraffickers and by helping to stabilize population growth rates.

#### The Development Challenge.

Real gross domestic product (GDP) grew by 5% in 1994, compared with 5.5% in 1993 and 3.5% in 1992, despite narcotrafficking, guerrilla violence, electricity rationing, tight monetary policies, and low international prices for coffee. Analysts estimate the costs of anti-guerrilla efforts and repairs to the country's infrastructure are equal to a reduction of 0.6% in GDP growth in 1992, or roughly \$260 million. Projections for GDP growth in 1995 are between 5% and 6%.

While the population growth rate of 1.8% is very good by Latin American standards, population growth still continues to slow improvements in overall standards of living and is a major causal factor to a high level of poverty (almost 12 million Colombians are classified as living in extreme poverty).

At the same time, significant weaknesses in the Colombian criminal justice system continue to hamper the Government of Colombia's (GOC) ability to address effectively the narcotrafficking and corruption that weaken the social and democratic fabric of the country. Those problems have resulted in the death of thousands of Colombians - judges, prosecutors, policemen, and ordinary citizens - who have struggled for a cleaner and more democratic society, and place in danger those who have come behind them.

#### Strategic Objective (SO).

The current USAID program has a single basic strategic objective: improvement of the country's criminal justice system. This objective is consistent with U.S. Government objectives as set forth in the Presidential Decision Directive (PDD-14) on International Narcotics. The USAID Mission's strategic objective also is directly related to the furtherance of the Agency's goal of building democracy. Improvement of the criminal justice system is being implemented through the USAID Mission's. USAID is active in promoting the Agency goal of stabilizing population growth.

**BUILDING DEMOCRACY** (Existing program is fully funded and do not expect additional funding requirements in FY96).

#### SO 1. Promoting respect for the rule of law by strengthening legal systems

USAID's justice sector reform program assists the GOC in its long-term efforts to restructure key judicial sector entities, with special emphasis on the criminal justice system. This is being accomplished through training, technical assistance and a number of activities being carried out in selected geographical jurisdictions. A mid-term evaluation of the program was begun in December 1994.

**Activities.** Since the beginning of the reform program, USAID, in collaboration with participating units from the U.S. Department of Justice, has been instrumental in assisting Colombian efforts to develop a long-term plan for restructuring justice sector organizations, to improve the effectiveness of the judicial branch and prosecutorial functions, to improve public access to the judicial system, and to expand judicial protection capabilities. This is being accomplished through projects in selected judicial jurisdictions, courts and prosecutorial units. Initially, USAID assisted the government in carrying out operational aspects of constitutional reforms promulgated in 1991, particularly in the creation of functioning institutions established by the constitution such as the Public Defender's Office (PDO) and the Prosecutor General Office development of operational procedures such as the criminal procedures code and the case management system for superior tribunals; and provision of related training.

USAID also has been instrumental in assisting Colombia to meet broader justice sector reform needs through assistance on additional legislative reforms, to support the human rights and public defender programs, and to provide training to improve the effectiveness of the protective personnel, and through the provision of armored vehicles and equipment to improve security of judges and other senior judicial sector officials. USAID is assisted in these efforts by the U.S. Department of Justice programs which train police officers, judges and prosecutors.

**Indicators.** USAID indicators for measuring progress toward achieving the strategic objective are: (1): increase in percentage of court findings on serious crimes plus confirmations of the findings by a higher court, if appeals or reviews were made, resulting from the preliminary investigations of such crimes; (2): decrease in length of time for a case to be completed from the opening of the preliminary investigation to the court finding or to the finding's confirmation by a higher court, if appeals are made; and (3): increase in public perception of the efficacy of the criminal justice system, as developed in public opinion polls.

The first indicator is a composite of performance data derived from a three-stage system consisting of preliminary investigation, formal investigation, and trial. During the period June, 1993 - May, 1994, in the five regional prosecutorial units the percentage of cases moving from preliminary to formal investigation increased from 18.7% to 19.3%, and the number of formal investigations reaching trial increased from 9.7% to 19.7%. During the same period, in the 27 ordinary prosecutorial divisions the increases were 48.2% to 54.1%, and 31.6% to 32%, respectively. At present, only baseline data has been calculated for the courts. From June, 1993 - May, 1994, in the five regional courts, findings were returned on 44.6% of the cases presented. Progress against this baseline will be monitored and reported beginning in 1995.

Baseline data for the second indicator has been calculated only for the five regional jurisdictions. The average number of days for a case to move from the preliminary investigation stage to a finding is 574. Baseline data for the ordinary prosecutorial units and courts will be established in 1995. For the third performance indicator, an opinion poll designed to gauge public perceptions of the efficiency of the judicial system, is underway. Final results are expected to be available in April 1995.

**Feasibility and Cost-effectiveness.** Since March 1992, when the program effectively started, intensive training, technical assistance, and state-of-the-art equipment have been provided to the main justice sector institutions in the country, particularly the investigative agencies, the Prosecutor General Office, and the Office of Special Investigations of the Attorney General Office, in order to increase the number of preliminary investigations which reach the formal investigation stage and that then can be presented to the courts. Additionally, the program has provided funding to build a statistical information system for the courts.

The establishment of the Prosecutor General Office and the strengthening of the investigative agencies, including the Office of Special Investigations, supported with focused and specific sub-projects of the reform program have generated a positive impact in the criminal system including:

(1) During their first two years of operation, prosecutorial units, both at the preliminary and formal stage, have reported more cases addressed and decisions taken, which in turn, have contributed to a substantial reduction in the number of pending cases, from 90.3% in May 1993 to 75.9% in May 1994.

(2) Considering the baseline data sets calculated before the establishment of the Prosecutor General Office in July 1992, and subsequent measures for the first two complete years of operation of the ordinary prosecutorial units of the office, major progress can be established in those units both at the preliminary and formal stages: the number of pending cases has decreased in the preliminary investigation from 46.9% in June 1992 to 36.3% by the end May 1994, and in the formal investigation stage from 67.9% in June 1992 to 56.5% by the end of May 1994.

(3) At the court level, only baseline data sets have been calculated. Therefore, at this point progress cannot be assessed accurately.

An opinion poll designed to gauge public perceptions of the efficiency of the judicial system is expected to get underway shortly. For the second indicator presented above, baseline data have been calculated for the first time ever in the judicial sector.

Progress in 1993-1994. Progress toward achieving USAID's strategic objective has been excellent. Following are the most important accomplishments related directly to the courts and the Prosecutor General Office:

- A major program for administrative and organizational improvement of 39 ordinary prosecutorial units. (This activity includes facility repair and upgrading, and design and implementation of improved administrative systems: as of September 30, 1994, 22 units had been repaired and upgraded, and administrative systems of 2 units had been improved.)
- Development of the project to bid, contract, design, and install a complete information and data management system for the 328 District Prosecutors of the five largest sections of the Prosecutor General Office. (During August and September 1994, the USAID program supported two major discussion workshops which were attended by 97 systems personnel of the Prosecutor General Office to make the most reliable and comprehensive design of the system.)
- Physical security upgrades at the Prosecutor General's Office and the Supreme Court of Justice.
- Development of a project to reduce sharply the backlog of cases in the five regional prosecutorial units and in five selected ordinary prosecutorial units.
- Installation of a complete information and data management system for the Attorney General Office and strengthening of the division of the Attorney General's Office which investigates human rights abuses and corruption cases through intensive training and design of an management information system.
- Design of a master plan to support pilot units of the Public Defender's Office to be established in the country's six major cities.
- Establishment of 13 new alternative dispute (mediation) centers, development of basic documentation, and training of the centers' personnel.
- Development of an integrated, sectoral planning system to strengthen the planning process between justice sector institutions.
- A total of 632 judges, 2,116 prosecutors, 1,420 investigators, and 1,083 other justice sector officers have received training from the program. Of this number, 3,427 have been trained by the Foundation for Higher Education, the lead USAID counterpart entity, 1,683 by the Department of Justice, and 160 with USAID direct funding.

Constraints. The year 1994 was an election year in Colombia. Loss of momentum during the election campaign and significant turnover in personnel during the transition period to the new administration contributed to slowdown of the program during the year.

Donor Coordination. USAID communicates regularly with other donors in the justice sector, including the United Nations Development Program, Great Britain and Germany. Plans are being made to initiate a donor coordination group for the sector in 1995.

STABILIZING POPULATION GROWTH (\$2,808,000).

USAID is in the process of phasing out centrally funded support to family planning in Colombia in order to concentrate program focus on justice sector reform activities. Support to family planning in Colombia will terminate in 1996. The funds requested during the final year of the transition program will be used to finance clinical equipment for the PROFAMILIA health service diversification plan, service delivery, and contraceptives. An estimated 540,000 couple years of protection will be provided. The USAID population program in Colombia has been instrumental in development of a private, national service delivery system by PROFAMILIA, which is now approaching financial self-sufficiency. The planned phase-out of USAID assistance has been structured so as to minimize disruption of this highly effective family planning and reproductive health services program, which continues to serve as a model for the development of such services in other countries.

FY 1996 PROGRAM SUMMARY

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	Total
<b>USAID Strategic Objectives</b>						
1. Promoting Respect for the Rule of Law by Strengthening Legal Systems						0
Cross-Cutting Issues: Reduce Fertility		2,808,000				2,808,000
<b>Total</b>	0	2,808,000	0	0	0	2,808,000

USAID Mission Director: Lawrence J. Klassen

## DOMINICAN REPUBLIC

FY 1996 Development Assistance Fund Request:.....\$16,185,000  
 FY 1996 P.L. 480 Title II Request:.....\$3,452,000

As an historically friendly neighbor, the Dominican Republic's support has been, and will continue to be, key in addressing our national interests with respect to enhanced market access for U.S. exporters, combatting the smuggling of aliens and other contraband, controlling the spread of AIDS, combatting drug trafficking and money laundering, supporting the new Haitian government, fending off blunt pressure from other Caribbean states for closer regional ties with Cuba, and promoting stability in the region. The proximity of the Dominican Republic means that its problems often have a direct spillover effect on the United States. A variety of factors place these U.S. interests at considerable risk and could undermine the Government of the Dominican Republic's (GODR) traditionally supportive stance toward U.S. policy objectives in the region. Such factors include the country's high incidence of poverty, lack of economic opportunity, social injustice, and lack of respect for the rule of law. Weak democratic institutions, a series of elections marred by controversy and national crisis, a trade regime heavily influenced by protectionist interest groups, and corruption weaken development prospects. These factors have resulted in the Dominican Republic having the world's third highest number of immigrant visas to the United States, and roughly one out of seven Dominicans are now thought to live, legally or illegally, in the United States. The difficult tax and regulatory climate adversely affects U.S. exporters and businesses. The Dominican Republic has become a major drug transshipment point between Latin America and the United States and Europe, and combatting the mushrooming AIDS epidemic also has become a major issue. The high level of Dominican immigration to the United States makes the containment of this epidemic an important U.S. health concern. We firmly believe that promoting democracy and sustainable economic development are essential to addressing these conditions and protecting core U.S. interests in the Dominican Republic.

The Dominican Republic occupies the eastern two-thirds of the island of Hispaniola in the Greater Antilles, sharing the island with Haiti. It occupies an area of about 48,700 square kilometers and has a population of 7.1 million people, growing at 2.1% per annum. Although the country has made economic progress in the last four years, following an initial round of economic reforms, it still remains the second poorest country in the Caribbean and the eighth poorest in the Western Hemisphere. Per capita gross domestic product (GDP) is only about \$1,520, a figure which masks pronounced inequity in income distribution: the poorest 50% of the population receives less than 20% of total income, while the richest 10% receives about 42%. Adequate living standards for the lower spectrum of the population are not in sight. According to a conservative World Bank definition of poverty, 20% of the population lives below the poverty line, subsisting on less than \$26 per person per month. Given the country's relatively generous resource base, and industrious, highly motivated population, this need not be so.

#### The Development Challenge.

The major constraint facing the country is a vicious cycle of bad governance, flawed policy, poverty and social injustice. Government institutions are overly centralized and the presidency still wields near autocratic powers. Flawed macroeconomic policies have added disproportionately to the burden of the poor and exacerbate social problems. The level of social spending is one of the lowest in the Hemisphere, and expectations for improved social justice will not be realized unless the political structure becomes more responsive, less autocratic, and less corrupt.

The prospects for breaking this vicious cycle will depend in large part on the political will of the President's two-year transitional government to comply with the Pact for Democracy, signed in August 1994 by the major parties and all major sectors of society as a solution to the post-electoral crisis. Meaningful political reforms will be necessary to prevent the recurrence of the serious irregularities that

have beset previous elections in the Dominican Republic and to ensure that the will of the people will be honored.

The USAID program supports such reforms as well as a range of activities aimed at enhancing economic opportunities for the poor, promoting family planning, and improving health status. Throughout, USAID promotes broad-based participation of the population through the intermediary of local private voluntary and non-governmental organizations (PVOs/NGOs), which serve as surrogates for participatory democratic institutions. PVOs/NGOs implement fully 85% of USAID assistance to the Dominican Republic.

**Strategic Objectives (SOs):**

**ENCOURAGING ECONOMIC GROWTH (\$8,078,000)**

**SO 1. Sustained, environmentally-sound economic growth with equity (\$5,200,000 of which \$3,546,000 is for Economic Growth and \$1,654,000 is for Protecting the Environment).**

The Dominican Republic is the U.S.'s seventh most important trading nation in the Western Hemisphere, and the fourth most important supplier of finished clothing in the U.S. market. Despite such economic success, the country also boasts the world's third highest number of immigrant visas for the United States. Extremes of wealth, poverty and unusually high desire to emigrate make USAID's objective of achieving economic growth with equity more challenging than in many other Latin American nations. Recent Dominican history demonstrates strong linkages between macroeconomic performance and living standards of the poor. The micro-enterprise sector accounts for 23% of GDP and provides employment for about one quarter of the economically active population in the Dominican Republic. The micro-enterprise sector is often the recourse of the poor and of women who have limited opportunities and face discrimination in the formal sector. Low levels of public spending on education over the long term threaten the ability of lower income groups to be successful even in this sector. The micro-enterprise sector provides opportunity for the most disadvantaged in a macro-economy still characterized by sizeable unemployment and underemployment.

USAID emphasizes the creation of economic opportunities largely through assistance to micro-enterprises and primary education, supplemented by carefully targeted policy reforms in the energy and trade sectors.

**Activities.** The USAID PVO co-financing and the micro and small business development (FondoMicro) activities finance a number of PVOs which assist or provide credit to microenterprises, promoting income generation for economically disadvantaged people. The private initiative in primary education project funds a local PVO, Action for Basic Education, to continue improving the quality of primary education. The economic policy and practice project activities promote the implementation of economic reforms critical to improving economic opportunity for lower income groups, also working through NGOs. Major subgrants under this project were to support a congressional economic advisory program to analyze the electrical privatization bill, the GODR budget law and procedures and the Foreign Investment Law. This project also helps finance studies on possible regional integration and seminars for key policy makers on export policy reform. The electrical energy sector restructuring activities will help improve the legal and regulatory framework, attract private sector participation in the energy sector, and ultimately provide more equitable and less costly access to energy.

**Indicators.** This strategic objective is currently being refocused in the context of USAID's re-engineering efforts. The principal indicators aim to: (1) Increase income-generating opportunities; and (2) improve the quality of primary education, both targeting lower-income groups.

**Progress in 1993-1994.** USAID assistance has provided credit to 11,122 microenterprises which directly created or strengthened 16,148 jobs, including 8,835 in the last year alone. Approximately

half of all credit recipients are women. Technical assistance is helping NGOs to qualify for credit and is strengthening the management of NGOs so that credit programs can be expanded. In education, EDUCA has played a catalytic role in developing and building a national consensus for a 10 year plan to improve primary education and standardized tests to be adopted by the Government for the fourth and eighth grades. A recent evaluation recommended this project as a model.

Feasibility and Cost-effectiveness. Recent Dominican experience demonstrates strong linkages between macroeconomic performance and living standards of the poor. Thus, efforts to provide targeted opportunities to improve these standards are appropriate. Furthermore, despite its economic success as the seventh most important trading nation in the Western Hemisphere and the fourth most important supplier of finished clothing to the U.S. market, the Dominican Republic also boasts the world's third highest number of immigrant visas for the United States. Constant attention to policies and programs that will generate local employment is in order. The micro-enterprise sector accounts for 23% of GDP and provides employment for about one quarter of the economically active population in the Dominican Republic. Over 80,000 new jobs were generated during 1992 alone, a growth rate of 10.8%. This sector provides opportunity for the most disadvantaged, including women, in an economy still characterized by sizeable unemployment and underemployment. Finally, encouraging private sector advocacy for primary education helps to counteract low levels of public spending in this area.

Donor Coordination. USAID has sought, and achieved, close coordination with the World Bank, Inter-American Development Bank (IDB), and other donors. This coordination has allowed us to leverage each other's programs to exert maximum support for good governance and sound project administration especially in the electrical energy and the educational sectors. For example, USAID's \$5.5 million support to EDUCA has contributed to the development of a 10-year plan, which leverages \$50 million in IDB and World Bank financing to restructure the primary education sector.

Constraints. The economy, as a result of the long political campaign for the May 1994 elections and the post-electoral crisis, is facing major problems. The Government needs to implement more vigorously its economic reform agenda and also should undertake additional reforms to avoid an economic crisis similar to that of 1990, when inflation exceeded 100%. Current low foreign exchange reserves and the increased fiscal deficit are already boosting inflation and could force a currency devaluation. The productive, commercial and microenterprise sectors, as a result, would grow at a much slower pace than in recent years. Budget austerity would aggravate already decreased GODR spending for social services. However, it will be extremely difficult for the Government to implement the needed policies as the May 1996 election draws closer.

As noted, the above objective not only addresses economic growth, but also includes activities aimed at protecting the environment. USAID, under the PVO Co-Financing project, plans to carry out various activities aimed at improving water and sanitation conditions as well as projects in soil conservation. The Electrical Energy Restructuring project will incorporate a major initiative in environmental regulation. The Mission also supports central and regional projects such as the Environment and Natural Resources Policy and Training and Parks in Peril projects.

#### STABILIZING POPULATION GROWTH (\$3,862,000).

SO 2. Stabilized population growth and improved health status (\$8,394,000 of which \$4,532,000 is for Economic Growth and \$3,862,000 is for Stabilizing Population Growth).

The public health sector in the Dominican Republic has deteriorated in recent years due to declining real government investment and inequitable distribution of health information and services. The poor have therefore looked to private sector and non-profit organizations for most of their health services.

USAID's strategy for the population and health sector focuses on family planning and maternal-child

health, with special emphasis on human immunodeficiency virus and acquired immunodeficiency syndrome (HIV/AIDS) prevention. Our integrated approach in this sector is based on the premise that rapid population growth and poor health are closely linked with low status and limited rights of women, especially in the lower economic strata. High rates of unintended pregnancy, especially among adolescents, and lack of accessible primary health and family planning services, compound the problems of lower income groups, since scarce resources are devoted to additional children or to curing family members from preventable diseases. Unintended pregnancy, childbearing and childcare also impact negatively on household income. Many households are headed by females, and the unemployment rate for females is about 40%. Particular emphasis is placed on immunization, child spacing, breast feeding, diarrheal prevention and control, as well as information on family planning, AIDS and other sexually transmitted diseases.

Activities Through family planning and health activities, USAID provides support to accelerate the process of fertility decline in the Dominican Republic, as well as to improve the health of women and young children and to enhance public health efforts to prevent the spread of HIV/AIDS and sexually transmitted diseases.

The Dominican Republic is a USAID HIV/AIDS priority country. USAID interventions in this area provides support to: improve the availability and use of AIDS information; educate and mobilize the private sector through workplace programs; strengthen and expand the participation of both public and private sector organizations in HIV/AIDS prevention; and develop the infrastructure for greatly expanded diagnosis and treatment. The PVO co-financing project finances six subgrants to PVOs to improve access to selected primary health services in the areas of child survival, water and sanitation, immunization and breastfeeding.

The P.L. 480 Title II food assistance program is fully integrated into USAID's development portfolio. It is currently concentrated in two major areas: (a) the maternal and child health program, aimed at improving the health of young children and lactating mothers in selected rural communities; and (b) the environmental sanitation food-for-work program, which assists low-income families to implement collective, solutions to environmental health and sanitation problems by encouraging community residents to work together through community organizations to achieve hook-ups to municipal water and sanitation services.

Indicators The indicators which measure the progress in achieving this objectives are: (1) increased contraceptive prevalence; (2) improved knowledge of AIDS-related behavior.

Progress in 1993-1994. Broad-based participation, innovative NGO service delivery methods, and expanded social marketing have made a positive impact on the Dominican Republic's health status. Infant mortality has been cut almost in half over the past seven years, with the current rate at 43 per thousand. A recent demographic and health survey noted significant progress in decreasing fertility and increasing contraceptive prevalence. Contraceptive prevalence rose from 33% to 37% of all women between 1986 and 1991, as the private sector became the major supplier of contraceptive services (64.7%). Over 700,000 couple-years of contraceptive protection has been provided through USAID assisted programs. Much more could be achieved if the Government were committed to providing adequate support in this critical social sector. USAID has initiated a dialogue with the Government that will address sector policy and financing issues in a comprehensive manner.

Feasibility and Cost-effectiveness. USAID's integrated approach in this sector is based on the premise that rapid population growth and poor health are closely linked with low status and limited rights of women, especially in the lower economic strata. High rates of unintended pregnancy, especially among adolescents, and lack of accessible primary health and family planning services, compound the problems of lower income groups, since scarce resources are devoted to additional children or to curing family members from preventable diseases. Unintended pregnancy, childbearing and childcare also impact negatively on household income. Many households are headed by females, and the

unemployment rate for females is about 40%. USAID's program places particular emphasis on immunization, child spacing, breast feeding, diarrheal prevention and control, as well as information on family planning, AIDS and other sexually transmitted diseases.

The AIDS epidemic poses a significant threat to the country's economic and social welfare. HIV prevalence is about 1% of the general population and is growing rapidly. Although HIV is found throughout the social spectrum in the Dominican Republic, the poor and socially disadvantaged are being infected at very high rates. Approximately 250,000 Dominicans (3.5% of the population) will be HIV positive by the end of 1995, according to epidemiological projections, justifying USAID's overarching priority to build national institutional and technical capacity to address AIDS issues, including sustained support to the private sector.

Donor Coordination. USAID has initiated meetings with other donors with a view to undertaking discussions with the GODR Secretariat of Health aimed at coordinating all assistance to health and family planning activities. The World Health Organization, Pan-American Health Organization and United Nations Development Program are active in the health sector and close coordination exists between these agencies and USAID in development of a health matrix for the Dominican Republic.

Constraints. Economic stabilization measures have placed a severe burden on the social sectors. The GODR spends only 1.7% of GNP (or 14% of its budget) on health. There are an estimated 70,000 illegal abortions per year in the Dominican Republic, testifying to the inadequacy of family planning services. The situation is no better in other public health areas.

#### PROVIDING HUMANITARIAN ASSISTANCE (PL 480 Title II, \$3,452,000).

As noted, the preceding objective addresses not only population growth but also humanitarian needs through the P.L. 480 Title II food programs focused on maternal and child health, and health and sanitation problems of low-income families.

#### BUILDING DEMOCRACY (\$2,591,000).

##### SO 3. Increased participation in the democratic process (\$2,591,000)

The Dominican Republic is living with the legacy from Trujillo. The country is still plagued by an authoritarian political culture, underdevelopment and poverty. Compounding this, the Government has not responded sufficiently to important and diverse social demands. The development and strengthening of a participatory democratic political system is one of the highest priorities for the Dominican Republic. Sustainable economic growth with equity cannot be achieved without significant strengthening and broadening of democracy at all levels of society. Renewal of the political leadership, revamping of the political party system, and profound institutional reform are preconditions to the modernization of the State. Today, there is widespread awareness that such reforms must be put into effect before the Dominican Republic can truly be a democratic society.

Activities. Through democratic initiative activities, USAID provides support to strengthen and expand citizen participation in the political process as well as their involvement in the promotion of democratic reforms. The U.S. Government has also committed itself to assisting the GODR to prepare for the May 1996 elections, if called upon, providing assistance particularly in those areas of election administration weakness identified during the May 1994 elections. In addition, support is critically needed to strengthen Dominican civil society and to provide rapid response support for general civic education, empowering disadvantaged groups and strengthening hemispheric ties to Dominican democratic institutions. USAID is developing plans to provide such support.

Indicators. Indicators to measure progress in achieving this objective are the following: (1) increased citizen awareness of the benefits of participatory democracy; and (2) increased public confidence in the judicial system.

Progress in 1993-1994. Through various NGO sub-grants, an increasing number of citizens are participating in the political system and becoming informed of their role in the democratic participatory process. USAID assistance to the difficult May 16, 1994 elections mitigated opportunities for irregularities and permitted the United States to speak authoritatively on the election's questionable legitimacy.

Feasibility and Cost-effectiveness. USAID efforts in helping to build democracy have focused on increasing citizen awareness and participation at all levels, improving governmental efficiency and impartiality, and improving the electoral and judicial systems. USAID resources are channeled through local NGOs, public interest groups, foundations, community organizations and other intermediary institutions which are committed to strengthening the democratic system and helping the poor.

Other Donors. This is a new area for donor support. To date only the Organization of American States has been active in supporting general elections and coordinating democracy-related activities with USAID.

Constraints. The common perception of the Government as provider of all is slowly waning. This provides encouragement to those promoting true democratic participation. If events occur which strongly discourage or stifle this enthusiasm, the pockets of self-determination which exist throughout the country could die out.

#### **Other Donor Resource Flows.**

The United States is presently providing about 10% of all donor assistance to the Dominican Republic. Major bilateral donors are the United States, Italy, Japan, Germany and Spain. Major multilateral assistance is being provided by the World Bank, Inter-American Development Bank (IDB), the European Community, and the International Monetary Fund. USAID has mutually reinforcing programs with the IDB, the World Health Organization, and the World Bank.

DOMINICAN REPUBLIC  
FY 1996 PROGRAM SUMMARY

	Encouraging economic growth	Stabilizing Population growth	Protecting the environment	Building democracy	Providing Humanitarian Assistance	Total
SO 1. Sustained environmentally-sound economic growth with equity	3,548,000		1,854,000			5,200,000
SO 2. Stabilized Population growth and improved health status	4,532,000	3,882,000				8,394,000
SO 3. Increased participation in the democratic process				2,591,000		2,591,000
P.L. 480 Title II					3,452,000	3,452,000
Total	8,078,000	3,882,000	1,854,000	2,591,000	3,452,000	19,837,000

USAID Mission Director: Marilyn A. Zak

## ECUADOR

FY 1996 Development Assistance Funds Request: ..... \$18,250,000

Ecuador remains one of the least developed countries in South America. Despite recent improvements in economic growth, the country has experienced a decade-long recession since the early 1980s. Due to inadequate economic and social policies, per capita gross national product (GNP) growth has been negative, real wages have decreased by over 60%, and income distribution is one of the worst in Latin America. These problems are compounded by a high population growth rate of 2.3%, poor health conditions, and large-scale rural and urban poverty. Democratic and judicial institutions remain fragile and ineffective in dealing with some of the country's most critical problems. There is lack of a coherent strategy for dealing with growing environmental degradation, which has attracted international attention. On the positive side, Ecuador has implemented major stabilization and structural reforms, reached agreement on an International Monetary Fund (IMF) standby agreement, obtained large Inter-American Development Bank (IDB) and World Bank policy-based sector loans, and completed historic debt renegotiations. These reforms are gradually improving the investment climate, exports and overall economic growth, as well as trade opportunities with the United States. The United States is Ecuador's major trading partner, with about 46% (or \$1.2 billion) of total Ecuadorian imports coming from the United States in 1993. U.S. assistance to Ecuador strongly supports economic, social and environmental reforms that will further expand U.S. markets and ultimately facilitate Ecuador's entry into free trade agreements. U.S. assistance also promotes our key objective of strengthening Ecuadorian democracy by promoting judicial reforms, thereby improving the administration of justice and helping modernize and reform the social sectors. Modest U.S. assistance has played a key catalytic role in enabling other donors to implement their programs in economic, social and environmental reforms.

#### The Development Challenge.

The challenge for Ecuador in this decade is to continue the momentum of reform begun in 1992. Much has been accomplished -- but much is left to be done. Slowly, and at times hesitantly, a fundamental shift in outlook is taking place in Ecuadorian society. A study in contrast, this country is blessed with abundant natural resources, a vigorous private sector, and democratically elected leadership. Yet, the political process is highly fragmented, some elites and middle-class groups continue to capture most of the benefits of development, and entrenched interests of every type combine to resist change. The net result is a country poised to break the stranglehold of the past and commit itself to a course of modernization of the economy, democratic institutions and processes, and the allocation and delivery of social benefits, all of which will lead to more equitable growth for the future. U.S. assistance has a key role in helping Ecuador to break that stranglehold and to move forward in the transition towards a more efficient and equitable society.

#### Strategic Objectives (SOs).

USAID is pursuing the four agency strategic goals in Ecuador, as outlined below. The program includes activities in policy dialogue and training which support achievement of all USAID strategic objectives. USAID's program in Ecuador consists of an integrated approach to implementing the agency strategic goals. Accordingly, activities which encourage broad-based economic growth also include major emphasis on social and democratic policy reforms, and projects for protecting human health and the environment include efforts to provide economic opportunities to the poor, especially through strengthening non-government organizations (NGOs).

**ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$6,472,000).****SO 1. Increase sustainable economic growth for a broad base of the population (\$3,009,000).**

The prevalence of poverty in the country reveals that between 50% and 60% of the population falls under the poverty line. One USAID-funded study estimated that 20% to 25% of Ecuadorians live in "critical poverty" without enough income to purchase even a minimally nutritious diet, and that another 25% to 35% are in relative poverty with income for basic food, but not enough to meet other basic necessities. USAID efforts are directed toward promoting policies which lead to poverty alleviation and improving opportunities for low-income households. Moreover, the delivery of the assistance proposed by USAID is such that beneficiaries will directly participate in the process, i.e., representatives of the poor will participate in the policy formulation and evaluation process, and greater use is being made of NGOs to advocate policy change and to deliver basic services.

**Activities.** USAID's policy dialogue and project-funded technical assistance is helping Ecuador deepen economic reforms, such as trade liberalization, privatization, and legal and regulatory reforms that strengthen micro and small enterprises. Most importantly, in order to promote social policy reform, USAID is encouraging the enhancement of Ecuador's policy analysis capability by supporting seminars, workshops, and training--in a comprehensive process leading to implementation of reforms. USAID also is providing assistance to Ecuador in housing and infrastructure finance and policy reform, strengthening local governments, privatizing municipal services, and improving the urban environment. USAID is helping the Government of Education (GOE) organize and finance its emergency social investment fund (FISE) to cushion the immediate impact of economic reforms on the poorest and vulnerable groups. An innovative P.L. 480 Title II program is helping the fund expand NGO programs in social investment activities. A very important microenterprise development activity to pioneer large-scale leveraging of financial resources for microenterprises will start in late 1995.

**Indicators.** The following indicators measure the progression achieving this objective: (1) enable the GOE to formulate and implement a more coherent social policy agenda and poverty alleviation strategy; (2) increase the net income of small enterprises (with emphasis on microenterprises) by 7% annually; and (3) increase the percentage of small farmers with increasing net household incomes from 50% in 1994 to 75% in 1997.

**Feasibility and Cost-effectiveness.** The USAID's program under this objective has emphasized policy reform, starting with structural policies to improve the economy as a whole and, beginning in 1993-94, focusing on policies which more directly alleviate poverty. With a tradition of working with NGOs and quick access to highly qualified technical assistance, USAID has been able to effect policy changes and mobilize other donor resources. Thus, the program has been cost-effective in the sense that relatively small USAID resources have facilitated several hundred million dollars of World Bank and IDB resources for economic growth and structural reform.

**Progress 1993-1994.** Policy reform activities supported by USAID have contributed to successfully securing an IMF standby agreement, passage of privatization and capital markets laws, savings mobilization, improvements in housing finance, tenure security, price liberation, and elimination of non-tariff barriers. USAID has had impact upon increasing knowledge and awareness of social, economic and trade issues. For example, influential groups of Ecuadorian academic and business leaders have enthusiastically taken up the cause of education and health reform. In other programs, USAID achieved considerable progress in trade and employment generation (\$95 million in sales and 32,000 jobs in the non-traditional export sector alone). In agriculture, USAID projects helped increase gross income per hectare in specific agricultural commodities. For example, policy improvements are credited with augmenting the value of rice production by \$100 million in 1993 and 1994, thereby increasing the real incomes of 150,000 small holders who depend on rice production as their major source of income.

**Donor Coordination.** USAID has been successful in mobilizing substantial other donor resources in several policy areas under this objective. For example, in capital markets development, USAID technical assistance in drafting reform legislation and establishing a regulatory function led to expanded assistance under the IDB financial sector loan, which totals \$100 million. In agriculture, USAID policy analysis activities will be continued under a \$25 million World Bank agriculture-sector modernization project, and the USAID project will be successfully completed.

**Constraints.** The major constraint to achieving deeper economic and social reform and to securing major resources from other donors is the fragmented political process not conducive to timely policy reform and the upcoming national election campaign. USAID policy dialogue efforts will help address the lack of consensus on policy changes.

**SO 2: Reduce levels of mortality and fertility to levels which are commensurate with sustainable development \$8,159,000 of which \$3,463,000 is for Economic Growth).**

This Strategic Objective supports both Agency objectives of encouraging economic growth and stabilizing population growth. Health and Family Planning are combined under one USAID strategic objective, since the Ministry of Health and NGOs offer family planning and health services together.

A national survey indicated that the prevalence of chronic malnutrition among children under five is 55%. In most of rural Ecuador, diarrheal disease and acute respiratory infections are still the number one cause of mortality for children under five. Large proportions of women still do not have access to adequate prenatal care. Provision of water and sanitation is limited, especially in rural areas. Gaps in water and sanitation services tend to mirror the poverty of the country, with two-thirds of those not covered by water or sanitation services belonging to the lowest-income groups.

**Activities.** USAID health activities support major policy reform. The child survival activities are focused on improving the administrative and managerial efficiencies of the Ministry of Health, to strengthen its normative and policy-setting functions. Considerable training has taken place to improve access to health services. At the present time, USAID is redirecting its efforts towards improving the policy climate for health reform and increasing the provision of primary health care services by NGOs. USAID also is leveraging funds from other donors, such as the Pan American Health Organization, for the construction of potable water and sanitation systems, thereby increasing the access of population in marginal areas to water and sanitation.

**Indicators.** The indicator to measure the achievement of this objective is the reduction in the infant mortality rate (number of deaths in children under age 1, per 1,000 live births) from 53 to 32.2 in 1997.

**Feasibility and Cost-effectiveness.** Assistance provided in health sector reform is leveraging the resources of other donors. USAID, for example, has successfully influenced the direction of the World Bank's \$70 million health sector loan project. As with other strategic objectives, USAID is serving a catalytic role in facilitating other donor support in policy reforms such as decentralization, targeting of benefits, and increasing private sector provision of services.

**Progress in 1993-1994.** Significant advances have been made in the areas of health care finance and institutional reform. This has already translated into a decline in the infant mortality rate to 40 per thousand live births. At the same time, USAID has provided the Ministry of Health with assistance in supervision and logistics to improve the quality of care in both family planning and primary health care services. USAID technical assistance to the largest of three targeted municipalities increased the coverage of potable water and sanitation services from 65% to 80%. In two out of three targeted municipalities, the local and regional water authorities have improved supervision procedures to ensure the quality of water has improved and the number of municipalities that are establishing a water-user fee has increased.

Donor Coordination. Policy activities in health contributed to improved implementation of the World Bank \$70 million health reform project.

Constraints. In overall health policy reform, the challenge is to actually implement ambitious reforms adopted on paper by the Ministry of Health. Donors will have to present a united front in advocating the reforms with both the public and private sectors. In relation to water and sanitation, urban coverage levels are actually decreasing, since urban growth has outstripped the ability of public investments to keep pace with the overwhelming increase in demand for services and infrastructure.

#### STABILIZING POPULATION GROWTH (\$4,696,000)

SO 2: Reduce levels of mortality and fertility to levels which are commensurate with sustainable development (\$8,159,000 of which \$4,696,000 is for population and \$3,463,00 is for economic growth).

Ecuador is a country where population and health conditions seriously hinder sustainable development. One of the country's major challenges is to continue to reduce overall rates of population growth, fertility and mortality. Significant numbers of women do not have adequate information concerning contraceptive methods or currently use inefficient contraception methods.

Activities. The purpose of USAID's programs under this SO is to increase the use, effectiveness and sustainability of family planning services in Ecuador through the following activities: (1) strengthening family planning NGOs in order to improve their institutional sustainability over the long run; (2) improving policies in order to increase the levels of resource allocation and public sector political commitment to family planning; and (3) improving communications in order to expand service delivery of specific target sub-groups which have exhibited high levels of unmet demand or are at high health risk.

Indicators: The indicator to measure the achievement of this objective is a reduction in the total fertility rate (average number of children per woman in reproductive years) from 3.83 to 3.5 in 1997.

Feasibility and Cost-effectiveness. USAID family planning activities are currently assisting family planning NGOs to expand services to outlying rural communities and to increase their self-sustainability (currently 60% self-financed) by promoting cost-recovery and improving administrative efficiency.

Progress in 1993-1994. Two family planning NGOs continue to increase their coverage of family planning users. Together, they have increased the number of new family planning users by over 50,000 in the past year. These NGOs also are providing new, improved contraceptive methods which increase the range of choice for women. Additionally, the family planning NGOs have increased their level of cost-recovery to above 60%. Preliminary evidence from a recent national survey indicates that overall contraceptive prevalence increased from 53% in 1989 to 57% in 1994. These achievements have contributed to an impressive, overall reduction in the population growth rate of around 3.5% in the late 1970s to 2.3% today.

Donor Coordination. USAID is the leading donor in the NGO-based family planning activities described above, and NGO efforts in self-sustainability have not required other donor assistance. However, USAID and the United Nations Family Planning Agency (UNFPA) have jointly financed demographic surveys, related seminars, and dissemination of information.

Constraints. While significant success has been achieved in reducing overall rates of population growth, fertility and mortality, important gaps remain, particularly in urban marginal and rural areas, and many women still lack adequate information regarding contraceptive methods.

As described in the preceding section, health activities under this Strategic Objective contribute to

Economic Growth.

**BUILDING DEMOCRACY (\$2,451,000).**

**SO 3. Improved responsiveness of selected democratic institutions with greater citizen participation. (\$2,451,000)**

USAID has selected the justice sector as one in which democratic institutions can be strengthened and where limited resources can make a difference and lead to major reform and increased other donor assistance. Ecuador has a highly fragmented justice sector, with judicial responsibilities divided up among many entities. This along with inadequate human resources, weak institutions and other problems has led to a seriously inefficient and delayed justice administration. By working through private and public sector working groups and a very effective NGO, USAID has had a major impact on the passage of laws and in extending reforms beyond the justice sector to progress in the area of anti-corruption.

Activities. USAID's assistance is helping Ecuador accelerate its judicial reforms, draft new legal codes, and begin a process of improving the administration of justice. USAID is helping to promote democratic leadership through training programs.

Indicators. The indicator which measure progress in achieving this objective are: (1) an increase in the number of reform proposals enacted and being implemented; and (2) an increased level of public confidence in the judicial system over time.

Feasibility and Cost-effectiveness. USAID's approach to justice sector reform, i.e., support to influential working groups, strengthening of a private sector NGO, and technical assistance in drafting important laws, has led to historic reform and the commencement of other donor support for justice sector reform including the United Nations Development Program (UNDP), IDB and World Bank. USAID's modest investment in judicial sector reform is helping Ecuador mobilize well over \$10 million of other donor funding, and is providing the strategic framework for judicial reform activities in Ecuador.

Progress in 1993-1994. Most importantly, public and private justice sector working groups (JSWGs), which provide a forum for policy dialogue, have been established with USAID financing. Two laws, the Cassation law and the Organic Law of the National Judicial Council which are necessary to implement the 1992 constitutional reforms making the Supreme Court independent, were passed by the congress and have resulted in the implementation of administrative reforms. The JSWGs are preparing a comprehensive justice sector action plan which will further accelerate Ecuador's strategy for justice sector reform and will be presented to donors. The USAID Ecuadorian private sector counterpart, the Latin American Development Corporation developed a data base to track the plight of approximately 6,000 untried and unsentenced prisoners in Ecuadorian jails, thus helping to address a major judicial reform and human rights issue. The Latin American Development Corporation also has initiated the sector's first anti-corruption program.

Donor Coordination. The President has designated the JSWGs as being responsible for formulating Ecuador's strategic framework for judicial reform and for coordinating all donor support. Both the World Bank and IDB are currently designing judicial reform programs to be closely coordinated with the USAID-assisted JSWGs.

Constraints. The major constraint is the continuing fragmentation of the sector and the slowness of the GOE in deepening the process of justice sector reform. To some degree this is compensated for by the JSWG and a very dynamic NGO, but certain responsibilities are necessarily in the public sector, and delays in initiating the reform process have resulted.

**PROTECTING THE ENVIRONMENT (\$4,631,000).**

**SO 4: Promote the sustainable use of natural resources, the conservation of biological biodiversity, and the control of pollution. (\$4,631,000)**

Ecuador faces an urgent challenge in protecting the environment. For too long the country's economic growth and development strategies have been based on activities that are highly extractive in nature. Ecuador is one of the world's richest sources of biodiversity. Unfortunately, current policies and related consumption patterns are threatening these resources, human health and economic sustainability. Activities under this objective are focused on changing such policies and consumption patterns.

**Activities.** USAID's activities in protecting the environment are concentrated on improving natural resource policies and demonstrating effective resource management practices in local communities. USAID is helping the GOE to make operational a presidential commission to develop a comprehensive environmental action plan. Additionally, USAID funding is being provided to support natural resource policy studies, to expand environmental education and technology transfer, and to protect national parks, especially through NGO involvement in these areas.

**Indicators.** The following indicators measure the progress in achieving this objective: (1) Complete and implement the environmental action plan, and achieve 90% implementation of the recommendations by 1997; and (2) improvement in abundance and distribution of species in and around selected protected areas.

**Feasibility and Cost-effectiveness.** As in other strategic objectives, USAID-supported activities are oriented toward supporting the public and private sectors in making major reforms, in this case, in protecting the environment. Operational programs have the purpose of serving as models for the entire country. Accordingly in the policy area, USAID assistance has led to the establishment of a Presidential Environmental Advisory Commission (CAAM), which is defining Ecuador's strategy for protecting the environment. Under operational activities, innovative environmental management strategies with four indigenous groups, whose people inhabit the Amazonian and coastal regions of Ecuador, are being implemented. Such activities are cost-effective principally because they are directed at important policy reforms and strategy formulation which will set the stage for implementation by the Ecuadorians and for other donor support.

**Progress in 1993-1994.** The major accomplishment in this period has been the establishment of the Environmental Advisory Commission which has been charged with the development of a nationwide environmental action plan and has assumed the role of resolving national environmental issues such as those issues affecting the Galapagos islands and supporting more effective environmental measures for petroleum exploration and development. Accomplishments with the environmental management activities with the four indigenous groups include development of ecotourism models to provide employment, training parabiologists in ethnobotany to preserve indigenous knowledge, and empowering the indigenous groups to address legal issues through paralegal training. USAID's continuing support of Ecuadorian NGOs has recently led to addressing urban or "brown issues" and industrial pollution.

**Donor Coordination.** USAID activities are being closely coordinated with the World Bank's Global Environmental Fund (GEF) activities in Ecuador. In the future, the GEF could continue funding efforts begun by USAID.

**Constraints.** The primary constraint is the magnitude of the problem of environmental degradation and

the complexity of interests which involve indigenous groups, petroleum and companies and other groups. The GOE's weak ability to follow through on policy reforms and laws already approved is also a significant constraint.

#### Other Donor Resource Flows.

USAID provides only a small portion (ranging from 5% to 7%) of total donor assistance (grant and loan) which is provided mostly by the IDB and the World Bank. USAID assistance (comprising the largest portion of grant assistance, 20% of total grants) has been well directed at policy activities and support for effective NGOs, and has served to facilitate removal of constraints to the delivery of other donor assistance. USAID assistance, therefore, plays a catalytic role in helping and influencing other donors to design and implement their substantial assistance to Ecuador.

### ECUADOR

#### FY 1996 Program Summary

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Total
USAID Strategic Objectives					
1. Increase Sustainable Economic Growth	3,009,000				3,009,000
2. Increase Use, Effectiveness and Sustainability of Family Planning and Health Services	3,463,000	4,696,000			8,159,000
3. Improve Responsiveness of Selected Democratic Institutions				2,451,000	2,451,000
4. Promote Sustainable use of the Natural Resources Base			4,631,000		4,631,000
<b>Total</b>	<b>6,472,000</b>	<b>4,696,000</b>	<b>4,631,000</b>	<b>2,451,000</b>	<b>18,250,000</b>

USAID Mission Director: John A. Sanbrailo

## EL SALVADOR

**FY 1996 Development Assistance Fund Request:.....\$41,604,000**

El Salvador is one of the world's very few examples of a country emerging from a long civil war to forge a successful, democratic nation. The new nation is being built on a solid foundation of sustainable economic policies, free market principles and practices, and a growing concern for an equitable distribution of the benefits of economic growth. U.S. Government assistance has played an important role in assisting this success, and U.S. interests are well served by ensuring that the gains made at such great cost in human and financial terms are solidified.

U.S. assistance was vital in helping El Salvador survive and begin to recover from the country's 12-year civil war. The United States played a pivotal role in discussions leading to the Peace Accords that ended that war in January 1992 and has since provided major contributions to the initiation of programs to support peace. Following through with this support is crucial to avoidance of a return to conflict. To this end, the U.S. assistance program is financing a number of activities that could literally mean the difference between war and peace: combatting poverty, fulfilling commitments to reconstruction, encouraging democratic reforms, promoting economic growth, fostering improvements in the social sectors and the environment, and others. These activities directly affect the United States by eliminating political instability which caused hundreds of thousands of Salvadorans to immigrate to the US (most of them illegally); by strengthening the Salvadoran economy which develops an ever expanding market for US goods and by protecting the global environment which we all share.

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

El Salvador's comprehensive economic reform program is resulting in real economic growth (a gross domestic product growth rate of more than 6% in 1994), lower inflation, improved fiscal performance, major gains in investment, substantially higher employment, and increases in nontraditional exports.

However, El Salvador still is a poor country, suffering from the societal polarization caused by twelve years of internal conflict. Half of the population lives below the poverty line. Over one fourth of the population lives in the 115 municipalities that comprise the ex-conflictive zones and bore the brunt of the civil war. Access to social services is unequal, and adherence to the ideals of democratic rights and responsibilities are in the early stages.

Through its assistance program, USAID is helping to accelerate and institutionalize major changes taking place in El Salvador in a number of areas. In so doing, USAID works with a broad range of development partners: nongovernmental organizations (NGOs), host country government agencies, and bilateral and international donors.

#### **Strategic Objectives (SOs).**

The USAID program<sup>1</sup> in El Salvador is characterized by five inter-related strategic objectives which directly support overall U.S. Agency for International Development objectives.

#### **ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$24,357,000).**

##### **SO 1. Assist El Salvador make the transition from war to peace (\$1,626,000).**

Development actions aim to reactivate the factors of production to respond to economic opportunities, reestablish access to basic social services and infrastructure, build local level democratic institutions and increase civic participation, and reintegrate ex-combatants into the fabric of the nation. Most of the activities reflect commitments assumed under the January 1992 Chapultepec Peace Accords.

**Activities.** Although a number of activities throughout the USAID portfolio provide assistance to the beneficiaries and areas targeted, the large peace and national recovery project is the primary USAID tool for achieving this objective. This project provides training for ex-combatants to ease their re-entry into productive society. The Project also provides agricultural and small enterprise credit, financing for transferring land to many people affected by the war, and construction of schools, clinics, roads and bridges in the exconflictive zones.

**Indicators.** Among the USAID indicators for measuring progress toward achieving this objective are: free and open elections in 1994 and 1997; provision of vocational or academic training to 20,000 ex-combatants; provision of land and agricultural credit to large numbers of ex-combatants and persons working the land without title.

**Feasibility and Cost-effectiveness.** The signing of the Peace Accords and the 1994 general elections are evidence of a national will for peace. High levels of participation by the Government of El Salvador and the Faribundo Marti National Liberation Front(FMLN) in the national reconstruction process are also evidence that the National Reconstruction Program is succeeding. Level of investment, \$300 million, on the part of the USG in that program has contributed to three years of peace, continued dramatic economic growth, and an expansion of social and infrastructure services available to the 1.4 million residents of the ex-conflictive zones. It has led to the gradual re-incorporation of over 18,000 ex-combatants into the mainstream of society through training and rehabilitation. Funds provided under the program have been used to purchase almost 120,000 acres of land for more than 17,000 beneficiaries.

**Progress in FY 1993-1994.** More than 70 separate activities have been implemented under the Peace and national recovery project. More than 2,000 small infrastructure projects have been executed through municipalities in action programs. Services provided to ex-combatants through NRP have been extensive and produced significant results. As of August 1994, over 16,000 ex-combatants from both sides have received vocational, agricultural or microenterprise training; 10,200 have received microenterprise or agricultural credit, and thousands of individuals wounded in the war have received surgery and specialized treatment, prosthetic devices if necessary, and rehabilitation. About 130 Non-Governmental organizations, more than 90% of them indigenous Salvadoran groups, have been involved in the program, and approximately \$70 million has been channeled through them.

**Donor Coordination.** A total of \$800 million dollars (including the \$300 million of the U.S. Government) was pledged by numerous bilateral and multilateral donors to support the implementation of El Salvador's Peace Accords and to promote the transition from war to peace. The U.S. Government has works closely with the donor community to identify priority areas for assistance and maintains a continual dialog process in-country, at the Washington level and through the Consultative Group mechanism to ensure that the priorities identified in the Peace Accords are being adequately funded. Although funds have been slow to materialize in many cases, they are coming in and being used to support many of the activities described above and others.

**Constraints.** Continued political will of both the new government and the opposition to work together is critical; to date there is every indication that such will is strong. Other major factors which could impact on achievement of the strategic objective are the success of the land program and continued economic growth. The overall success of the land program depends on recipients not just receiving a title to land, but having access to productive assets such as credit and technical assistance.

**SO2. Broad-based economic growth increased (\$ 11,544,000).**

Assistance focuses on combating poverty through appropriate social and economic policies and increased private investment, exports, and employment. New economic policies are creating an environment with better incentives and support for lower-income people, the majority of whom are employed in the agriculture sector, thus providing opportunities for increased productivity and improved

incomes and quality of life.

**Activities.** USAID has been a leader in provision of technical and financial assistance to encourage and support a broad range of important and successful economic measures in El Salvador. Of course, an increase in overall wealth does not guarantee equity. Therefore, the USAID program concentrates on the predominantly rural poor majority, helping to provide sustainable income and access to social services, and bringing them into the larger economy. For example USAID supports projects which assist small coffee farmers to access credit and technical assistance. The SABE Project provides curriculum development and assistance to help kids stay in school through the sixth grade. Through the National Rural Electric Cooperative (NRECA) electricity is being provided to rural areas for the first time. US Private Voluntary Organizations (US PVOs) such as The Cooperative League of the USA (CLUSA) and TECHNOSERVE are assisting small farmers and cooperatives to produce and market high value crops such as sesame, organic coffee, melons and flowers. FINCA, another US PVO implements a project which creates village banks and is providing credit to over 30,000 micro entrepreneurs.

**Indicators.** Progress toward achievement of the objective will be measured by a number of indicators, including: (1) an increase of 2.7% per year in the index of real gross domestic product per capita and (2) a steady decrease (from 91% in rural areas and 41% in urban areas in 1992 to 86 and 36% before 1996) in the percentage of households with one of four basic needs unmet. This standard list of basic needs calls for less than three people per bedroom, access to potable water, access to sanitary sewer or latrine, and all children aged 7-10 attending school.

**Feasibility and Cost-effectiveness.** USAID has chosen a mix of project and non-project assistance to modernize the state and maintain overall economic growth. This assistance encourages and supports economic policy reform as well as changes in the roles of institutions. The significant macroeconomic reforms and successes in El Salvador and the gradually improving equity in the society attest to the feasibility of activities implemented. The far-ranging programs that make these improvements possible are expensive and vitally important to result in changes throughout the society.

**Progress in 1993-1994.** The Government of El Salvador with support from USAID's Modernization of Salvadoran Taxes and Integrated Financial Management projects has reduced tax evasion and increased its budget for social programs. It has begun to increase the quality and coverage of government services such as education, health, and economic infrastructure. NGOs supported through USAID programs have a large role in the new scheme. Inflation, most harmful to the poor, has been held to less than 10% ; low inflation and increased per capita GDP mean that the average rural family now has more real income than in 1992.

**Donor Coordination.** The World Bank and the International Monetary Fund have been particularly active in this area and have plans for major programs that would modernize the state, implement privatization activities, and encourage reforms that would lead to greater equity. USAID works very well with these organizations; our recommendations are taken into account as they develop their programs; and our activities are mutually supportive.

**Constraints.** Financial commitments of other donors do not always materialize as promised or within the timeframe expected. An unusual natural phenomenon, such as drought, could have greatest impact on the poor, thereby holding back progress on equity. Changes in immigration policies in the United States, would have immediate and direct effect on the large amounts of financial remittances now entering the economy and could affect social stability. Also, implementation of reforms could fall short of expectations.

**SO4. Improved quality with equity in health and education and stabilizing population growth (\$16,814,000 of which \$11,187,000 is for economic growth and \$5,627,000 is for population).**

Health and education are fundamental building blocks in the economic and democratic development

of El Salvador. Diarrhea, acute respiratory infections and vaccine-preventable diseases and malnutrition continue to be major health problems. Similarly, a significant portion of the population lacks the basic skills of literacy and numeracy. These problems severely limit the opportunity to become economically productive and informed and retard active participation in local and national democratic processes. Basic education, health and child survival activities and indicators are described below. Similarly, rapid population growth could put enormous pressure on the land, the productive capabilities, and the social services of this country as it struggles to overcome effects of the 12-year civil war. With a population density of 240 people per square kilometer, El Salvador is the most densely populated mainland nation in Latin America. Success in decreasing the rate of population growth is another critical element in achieving the strategic objective.

**Activities.** USAID activities implemented under this objective strive to increase access to and improve the quality of primary education, promote increased contraceptive prevalence, and increase coverage for reproductive health care and child survival programs. Major basic education, health and population projects provide a broad range of educational materials, contraceptives, training for teachers and health providers and institutional strengthening for both public and private sector entities. To increase nationwide accessibility to modern contraceptive methods, USAID programs emphasize the rural areas, which have in the past participated far less than the urban areas in all types of population/family planning/child survival programs. Training is provided for health suppliers; contraceptives are offered; demographic surveys and information campaigns are carried out; and grass-roots involvement of local NGOs and PVOs is financed.

**Indicators.** Among the indicators of progress toward achievement of the objective are: (1) enrollment in the first through sixth grades will rise from 65.2% in 1993 to 70.2% in 1997, (2) number of children under five receiving complete vaccination series in four diseases increases from current level of 75.3% to 79% in 1996, (3) the average contraceptive prevalence rate will increase from 47% in 1988 to 56% in 1994, and (4) the average total fertility rate will drop from 4.6 children per woman in 1988 to 3 in 1997.

**Feasibility and Cost-effectiveness.** Over the past year sectoral analysis has provoked a high degree of interest on the part of the Government of El Salvador, health and education professionals, private voluntary organizations and other donors in better addressing the problems confronted in health and education. In addition, USAID technical assistance efforts are being linked to proposed policy and budgetary reforms under Modernization of the State programs and to increased social sector budget allocations by the government. Numerous studies have shown that health, population and education dollars have significant people-oriented impact and long-term nation-building benefits.

**Progress in 1993-1994.** Financed by USAID assistance, nationwide assessments in health and education brought together participants from a broad range of public and private sector institutions and community groups to discuss problems and opportunities in these areas and plan reforms. Partly as a result of these sessions, the Ministry of Education has begun to decentralize, bringing decisions and services closer to the beneficiaries. The number of children achieving basic education objectives, as defined by graduating from sixth grade, has increased from 70,000 to 112,000. All 4,500 public primary schools now have textbooks. More than 7,000 teachers were trained in the use of new curricula in 1993, with an additional 6,700 trained in 1994. Maternal and child health services have been extended to high-risk populations in 1,500 of the country's poorest and smallest communities. Some 350 health promoters and more than 2,200 physicians and nurses received training in 1993, with similar numbers in training in 1994. Progress brought about by population program activities has also been dramatic. A National Health Survey conducted in 1993 shows that the average national contraceptive prevalence rate reached 53.3 percent in 1993 (from 47.1% in 1988) and the total fertility rate in El Salvador has decreased from 4.6 children per woman in 1988 to 3.85 children per woman in 1993.

**Donor Coordination.** Bilateral and multilateral donor organizations are very active in this area. Both

the World Bank and the Inter-American Development Bank have major health and education programs scheduled to start in 1996. They include elements recommended in the assessments mentioned above. In the population field, USAID is by far the largest donor, with UNFPA and PAHO providing small amounts of assistance. Other donors appreciate USAID leadership and capability in this area and have not indicated any intention to provide significant funding. Many of the USAID activities are administered by and through NGOs.

**Constraints.** Major constraints in the health and education sector are under-investment by the government, lack of trained personnel (particularly in the rural areas), lack of supplies and materials, centralization of decision-making and a lack of community involvement. In the population sector, religious, cultural, and folk beliefs and practices constrain growth in the use of contraceptives, but a larger constraint is the lack of enough resources and trained providers to meet the ever-increasing demand for services.

This strategic objective addresses both broad-based economic growth and population goals.

#### PROTECTING THE GLOBAL ENVIRONMENT (\$6,066,000).

##### SO 5. Improved environmental and natural resource management (\$6,066,000).

El Salvador's natural resources are dwindling fast. This can have a major negative impact on the country's ability to support its population and on the quality of life. Pressures of an overcrowded and still growing population, uneven distribution of wealth, and an expanding economy are the principal reasons for the over-exploitation of natural resources. The depletion and degradation of renewable and non-renewable resources are impediments to long-term, sustainable development.

**Activities.** USAID assistance in improved environmental and natural resource management is helping to create and implement the legal framework for natural resource use, increase public awareness of environmental problems, and improve productive activities consistent with sustainable natural resources management. For example, soil conservation, watershed management, and other environmentally sound practices are being taught.

**Indicators.** Progress toward meeting this strategic objective is being measured by a number of indicators, including: (1) the design and implementation of a multi-sectoral policy framework for sustainable natural resource use, (2) increased nationwide public awareness and understanding of environmental problems (measured by periodic CID-Gallup polls), and (3) improvements in agricultural production consistent with sound environmental practices.

**Feasibility and Cost Effectiveness.** Water availability, soil erosion, and deforestation are interconnected and can be addressed simultaneously. The initial step is to mobilize demand for sustainable economic development by sensitizing the population and decision makers about the importance of conserving these resources. Working with the private sector, NGOs, and the government, USAID's program will improve the regulatory framework for natural resource management and will strengthen the institutions which manage it. The long-term effect of these actions will be the implementation of conservation programs to arrest deforestation, slow the deterioration of soils through erosion, and protect renewable water resources.

**Progress in 1993-1994.** The government has recognized the multi-sectoral nature of natural resource management, acknowledging the importance of both brown and green issues. El Salvador now conforms to the CITES treaty on endangered species and has created a national environmental fund to promote NGO solutions to public problems. The Fund was established in exchange for debt forgiveness by the United States and Canada. A national environmental strategy has been completed and laws and regulatory mechanisms are being put into place. One long-term indicator of progress toward achievement of the objectives, increased awareness of environmental problems, has already

been far exceeded. In 1993 only 15.3% of men and 12% of women polled could name three environmental problems. The target level of 25% percent by 1997 was attained and exceeded just one year later when 42.8% of men and 30.7% of women in 1994 could do so.

Donor Coordination. Many bilateral and multilateral donors are extremely interested in this field and are contributing small amounts of funding to various facets of it. A major donor coordination effort is now underway to maximize resources and better focus efforts. The United States, Canada, Germany, the Interamerican Development Bank and others are involved.

Constraints. The GQES budget and policy priorities may not always reflect the needs of sustainable natural resource management. Also, financial commitments of donors are slow in coming and may not materialize as promised.

#### **BUILDING DEMOCRACY (\$5,554,000).**

##### **SO 3. Strengthened democratic institutions and practices (\$5,554,000).**

Development of democratic institutions and policies has proceeded quickly and well in El Salvador, due in large measure to reforms mandated by the Peace Accords and to a series of activities instituted by USAID to support and implement these reforms. The major concern and goal in this area is continued compliance with the provisions of the Peace Accords.

Activities. USAID activities in support of this strategic objective aim to improve citizen participation in the public policy and decision-making process, provide a better framework for effective protection of human and citizen rights, improve mechanisms to ensure public accountability and oversight and increase the devolution of power to the local level. Examples are activities to promote voter registration and free and fair elections, assist major improvements in legislative and judicial systems and practices, help to institute improved and more transparent financial management and audit practices, and foster municipal development.

Indicators. A few key indicators to measure progress toward achievement of this objective include: (1) an increase in the number of Salvadorans registered to vote from 72% of eligible voters in 1993 to 95% in 1994, coinciding with national elections; (2) a reduction in the courts of criminal case backlog more than one-year old from 70 percent in 1993 to 33 percent in 1997; (3) an increase in average national attendance by communities at open town meetings from 63% in 1992 to 90% in 1996; and (4) new accounting systems in all 22 government ministries.

Feasibility and Cost-effectiveness. The costs of firmly establishing democratic institutions, practices and values are very small in comparison to the enormous costs of not having them. The proof is the 12 years of civil war waged at incalculable financial and human costs, in large part as a result of lack of those very institutions and practices. As one concrete example, approximately \$2.3 million was spent on voter registration campaigns and systems, resulting in voting cards for over 620,000 people. This is a small cost, \$3.67 per person, for the right to vote.

Progress in 1993-1994. A milestone indicating that democracy is becoming established in El Salvador was the peaceful 1994 election in March and April which produced a greater diversity in the country's Legislative Assembly. Healthy debate and diversity in the Assembly has resulted in an improved Supreme Court, which should strengthen the judicial system, and increased vigilance which reduces opportunities for impunity. The central government is slowly devolving authority to the local level. Implementation of the User Fee Law, allowing municipalities to collect user fees, has resulted in an average increase of 70% in locally generated revenues. In the area of administration of justice, the Family Code and the Law for Juvenile Offenders were passed and the Criminal Code, Criminal Procedures Code and Penitentiary Law were sent forward to Congress. A quiet revolution, marked by constitutional reforms and new financial management laws, is taking place in the management of

government financial resources. All are encouraging signs that a political and popular will for democracy exists and should continue to be strengthened. Under the Central American Peace Scholarship program, 650 people have been trained since late 1990. The follow-up program estimates that each of these scholars passes on his or her experiences to 100-140 people, extending program reach to up to 90,000 people.

Donor Coordination. USAID is the primary donor in this field, although many others are involved in one segment or another, particularly in supporting elections and strengthening grass-roots, participative organizations. The Interamerican Development Bank has pledged to play a strong role in this area in the future. The United Nations has played the lead role in monitoring compliance with the Peace Accords.

Constraints. The country's long history of political controversies and lack of attention to democratic systems and practices could constrain achievement of the objective. Continued vigilance and will to act against corrupt individuals and practices within the judicial system might not be forthcoming over the long run. Another constraint, even with the best of political will, is the sheer volume of new laws and procedures and reforms that need to be implemented. If USAID assistance in judicial reform is a victim of aid cutbacks, an important opportunity to strengthen this sector could be lost.

#### OTHER DONOR RESOURCE FLOWS

In 1993, the United States provided 36% of all multilateral and bilateral funding. Other leading donors are the World Bank, Inter-American Development Bank, Central American Bank for Economic Integration (CABEI), the European Community, Germany and the United Nations World Food Program.

EL SALVADOR FY 1996 PROGRAM SUMMARY					
	Encourage broad- based economic growth	Stabilizing population growth	Protecting the environment	Building democracy	TOTAL
1. Assist El Salvador make transition from war to peace	1,626,000				1,626,000
2. Broad-based economic growth increased	11,544,000				11,544,000
3. Strengthened democratic institutions and practices				5,554,000	5,554,000
4. Improved quality with equity in health and education	11,187,000	5,627,000			16,814,000
5. Improved environmental and natural resource management			6,066,000		6,066,000
<b>TOTAL</b>	<b>24,357,000</b>	<b>5,627,000</b>	<b>6,066,000</b>	<b>5,554,000</b>	<b>41,604,000</b>

USAID Mission Director: Carl H. Leonard

## GUATEMALA

FY 1996 Development Assistance Fund Request: . . . . .	\$31,152,000
FY 1996 P.L. 480 Title II Request: . . . . .	\$ 9,784,000

The political violence of the last 33 years, which adversely affected Guatemala's economic development, is moving toward resolution, albeit unevenly, as the Government of Guatemala (GOG) and the Guatemalan National Revolutionary Unity (URNG) peace talks proceed under the sponsorship of the United Nations. U.S. interests are clearly served by a successful outcome to the current peace talks through a democratic and prosperous Guatemala. Peace and an improved human rights climate will greatly reduce the number of refugees who have fled the country in recent years. Guatemala also represents a growing and more accessible market for U.S. exporters and investors. In 1993, two-way trade between Guatemala and the U.S. totaled \$2.4 billion. A wide range of U.S. governmental and nongovernmental groups have strong interests in improved protection of and respect for human rights in Guatemala. The USAID program is aimed at supporting the transition to peace in the near term, and continuing the task of building durable democratic institutions and a sustainable economy in Guatemala over the medium and long term.

#### The Development Challenge.

Guatemala is the largest Central American country in terms of both population (10 million) and economic activity (1993 gross domestic product \$11.4 billion in current dollars). However, distribution of land, income, and other assets is highly skewed toward a small share of the Spanish-speaking population, thus causing sharp divisions in Guatemalan society. The indigenous populace, speaking 23 different Mayan languages, generally lives in extreme poverty and isolation in rural areas. The country's social indicators are among the worst in the Western Hemisphere, and the averages mask even sharper inequalities between social groups and regions. For example, overall adult illiteracy is estimated at 52% but illiteracy rates among Mayan women in some areas approach 88%. The Guatemalan population is growing at the rate of 3.1% per year with a total fertility rate of 5.2 births in an average woman's lifetime as a result of unmet demand for contraceptive methods. These indicators reflect persistent underinvestment in social services and basic rural infrastructure. Macroeconomic policy reform has led to stabilization of the economy and the growth of nontraditional exports in the agricultural and light manufacturing sectors. However, tax reforms supported by both the public and private sector and a complete overhaul of the GOG's financial administration, remain critical for addressing, through public investment, the social inequities cited above.

To address the root inequities which gave rise to the armed conflict of the last 33 years, and to spur economic growth on a sustainable basis, major challenges exist in promoting smaller, healthier families, protecting environmentally fragile areas, and broadening access to the benefits of growth. Development of Guatemala's human resource base is a key factor in meeting the challenge to increase productivity and the incomes of the poor. Parallel to these efforts in the social and productive sectors, democratic institutions must be strengthened, community participation increased, and rule of law and respect for human rights established as norms if Guatemala is to enjoy a lasting peace.

#### Strategic Objectives (SOs).

USAID is pursuing five strategic objectives in Guatemala. In addition, the entire program is designed to meet the cross-sectoral development challenge of supporting Guatemala's transition to peace.

**BUILDING DEMOCRACY (\$1,969,000).****SO 1. Strengthening democratic institutions, civil society and the rule of law (\$1,969,000).**

Support for democratic development in Guatemala is an integral element in resolving the civil conflict, improving the human rights climate and fostering political and socioeconomic stability. Institution building and systemic reform, particularly in the judicial sector, will bring improved protection of human rights and increased accountability in public and private affairs. Strengthening of civil society will mean improved public knowledge, attitudes and behaviors necessary for the deepening of democratic norms and the sustainability of democratic governance.

Activities. With the underlying theme of strengthening democratic institutions and increased civic participation, the strategy seeks to establish norms of rule of law, respect for human rights, greater responsiveness and accountability of government institutions. The program supports civic education and human rights activities carried out by nongovernmental organizations and the government's Office of the Human Rights Ombudsman (OHRO), while continuing major assistance directed to the reform of the justice sector. Should a peace agreement be reached in 1995 and additional funding be available, activities in civic education and leadership development will be extended to the ex-conflictive zones, as will support for the decentralization of government services for the provision of justice, the protection of human rights, and greater civilian-controlled governance.

Indicators. The principal indicators for measuring this objective are: (1) improved due process under the law, i.e., increased credibility (favorable ratings) of key justice sector actors, as measured by national survey between 1993 and 1995 (e.g., defense of human rights by judges from 9.8% to 15%); (2) increased individual free expression and participation, i.e., increased democratic liberties index (recognition of democratic liberties, participation, right to dissent) from 62% to 64%; and (3) public confidence in key democratic institutions and processes maintained, or increased slightly, i.e., increased system support index (courts, electoral tribunal, congress, political parties, etc.) from 40% to 42%. Baseline data for the measurement of citizens' attitudes and values was derived from a 1993 public opinion poll.

Feasibility and Cost-effectiveness. Though this has been a volatile period in Guatemalan history, there are unique opportunities emerging to encourage greater opening of civil society, to engender tolerance for free expression, and to implement reforms in the judicial sector. USAID's long history of experience with administration of justice programs in Guatemala, as well as the growing number of local NGOs gaining importance in the democracy arena, offer feasible vehicles for implementing this program strategy. Moreover, USAID carefully targets its scarce funding only to activities for which the GOG has demonstrated sufficient political will and commitment of its own resources.

Progress in 1993-1994. Performance has been mixed as the program experienced delays resulting from the general turmoil in Guatemalan national politics beginning with the May 1993 "self-coup" of the then President. USAID assistance to the legislative branch was suspended in January 1993 as a result of weak leadership, ineffectiveness and credible allegations of widespread corruption. Assistance was restored after a special election to replace the Congress was held in August 1994, as part of the new President's effort to purge corruption from government institutions. Weak leadership and failure to fulfill its mandate led to a partial suspension of assistance to the Human Rights Ombudsman. To strengthen civil society and respond to the weakness of these key public institutions, USAID accelerated its plans to provide support to NGOs for civic education and outreach, particularly among rural indigenous populations. USAID assistance is helping key justice sector institutions to implement oral trial proceedings, a public defenders program and other elements of the new criminal procedures code, thus contributing to greater access to and transparency in the criminal justice process.

**Donor Coordination.** Aside from the human rights area, other donor support in the area of democratic development has been minimal. Since a substantial portion of the Peace Accords addresses justice, human rights and equity issues, international donors who support the Accords are likely to commit new funds that will complement current USAID resources targeted at democratic development. USAID will continue to coordinate with other donors through participation in the advisory body to the technical committee charged with planning the implementation of the Peace Accords.

**Constraints.** Guatemalan democracy is set on an extremely weak and fragile attitudinal and institutional base. The heritage of 33 years of civil war brought a strong military presence into all aspects of society, often to the detriment of civilian control. If the Peace Accords now being negotiated fail, armed violence could rekindle and the ground gained in fostering democracy, respect for human rights, and increased tolerance for democratic liberties, would most likely be lost.

#### STABILIZING POPULATION GROWTH (\$9,727,000).

SO 2. Promoting smaller, healthier families (\$24,745,000, of which \$14,961,000 is DAF and \$9,784,000 is PL480 Title II).

Guatemala's ten million population is growing at the rate of 3.1% per year. At this rate, the current population will double in 22 years. Sixty percent of Guatemalan women surveyed do not want any more children, while 40% of those who do want more children say they want to wait at least two years for their next child. The high demand for contraceptive methods is left unmet, especially in the rural areas where the majority of the Mayan population reside. The lack of culturally acceptable, family planning services, integrated with high quality, yet simple and inexpensive, child survival activities is the major contributor to the high infant, child and maternal mortality rates in these areas. Achievement of this objective will accelerate the demographic transition in Guatemala (reducing the birth and death rates) leading to an overall stabilized growth rate and a healthier, more productive population.

**Activities.** USAID supports the delivery of culturally sensitive, high-quality reproductive health services. This support will be increasingly focuses in rural, Mayan communities, and delivery mechanisms (GOG,PVO and Private sector) will be judged based on their success in addressing the most pressing health needs of the target population and cost effective impact on the critical health indicators cited below. Towards this end, USAID will help finance a comprehensive and flexible GOG/NGO strategy to promote immunization efforts, oral rehydration therapy, the treatment of acute respiratory infections, greater access to family planning methods, and pre-natal care and safe birthing practices. In addition, USAID/G-CAP continues to support MCH interventions with food assistance. The USAID will also continue its successful efforts to influence policy makers of the importance of family planning to the lives of mothers and children, as well as its impact on sustainable development in Guatemala.

**Related Activities.** Activities under the basic education objective promote smaller, healthier families. Studies show that a population with even six years of basic education is healthier and more productive. USAID's emphasis on increasing girls' school enrollment will delay marriage and reduce fertility.

**Indicators.** Indicators for measuring this objective are: (1) decrease the total fertility rate (the number of births in an average woman's lifetime) from 5.2 in 1994 to 4.8 in 1999; (2) decrease the infant mortality rate (infant deaths per 1,000 live births) from 68 in 1994 to 63 in 1999; (3) decrease the child mortality rate (under five year-old deaths per 1,000 births); and (4) decrease maternal mortality rate (deaths of women of reproductive age per 100,000 live births). Targets for the latter two indicators will be determined by a nationwide 1995 demographic health survey.

**Feasibility and Cost-effectiveness.** When family planning services and maternal and child health interventions are available, families use them. Child spacing saves children's lives. USAID's operation

research is aimed at developing service delivery models that work in the cultural context of Guatemala and that are cost-effective.

Progress in 1993-1994. The contraceptive prevalence rate has increased from 27% in 1987 to an estimated 31% in 1995. Only 5% of the rural, indigenous population use contraception; so the IPPF affiliate is extending its services to this large, unserved population. The couple years of protection provided through USAID support increased from 361,000 in 1991 to 542,000 in 1994; an increase of 50%. Vaccination coverage for children under five years of age for the killer diseases (polio, measles, diphtheria and tetanus) increased from 5% in 1985 to 72% in 1994. A new, cheaper treatment for pneumonia, a major killer of children, has been developed and is being applied in the third of the country that most needs it. Extensive public debate over family planning occurred before and after the International Conference on Population and Development in Cairo. The debate resulted in the vast majority of people deciding in favor of the need for broad-based, family planning services.

Donor Coordination. USAID is by far the lead donor in family planning and maternal health, but has successfully encouraged other donors and NGOs to enter the sector. In the broader health sector, USAID uses the interagency Maternal Child Health Committee, chaired by the Ministry of Health, as the principal mechanism for donor coordination and transfer of USAID experience. USAID is working closely with the World Bank and the Inter-American Development Bank (IDB) as they design a large health sector reform program based on policy benchmarks relating to decentralization of Ministry services.

Constraints. After 500 years of isolation, racism and repression, the indigenous population, almost half of Guatemala, is suspicious of modern ideas, including modern family planning practices and child survival interventions. Their cultural and geographic isolation from the Spanish-speaking ladino population is amplified by the fact that they are separated from each other by 23 distinct languages. In addition to addressing population growth, this objective also addresses economic growth through activities focused on immunization and improved health; and on humanitarian needs through the provision of PL480 food resources to nutritionally at-risk populations.

#### PROTECTING THE ENVIRONMENT (\$4,687,000).

##### SO 3. Environmentally sound natural resource management (\$4,150,000).

USAID's strategy focuses on environmentally sound management and sustainable use of Guatemala's natural resource base to brake the accelerating downward spiral of environmental degradation and poverty. An example is the destruction of more than half of the natural forest cover in the Peten, one of the most important ecosystems in the Western Hemisphere, between 1960 and 1990. USAID supports local efforts to develop and implement enduring solutions to poverty by balancing the need for economic development with the maintenance of healthy, functioning ecosystems required to support such development over the long term.

Activities. USAID promotes sound management of Guatemala's largest and most important system of protected areas (the 2.1 million hectare Maya Biosphere Reserve) in the lowland tropical forests; and improved watershed management and hillside farming systems in the highlands. Land use planning, training of extensionists, environmental education, and development of new products and value-added processes which are more appropriate for specific sites are among the activities designed to provide sustainable income streams and to conserve biodiversity. USAID supports improved soil conservation practices, and agroforestry, water and park management, as well as related policy initiatives to ensure that the legal and regulatory framework facilitates protection of the environment. In support of the peace process, USAID provided partial funding for a refugee reintegration assessment which addressed, among other things, the environmental issues related to the resettlement of the refugees and the displaced populations.

**Related Activities.** Since unchecked, unsustainable population growth represents the greatest threat to the environment in Guatemala, activities under the smaller, healthier families objective are critical to the achievement of this environmental objective. Likewise, primary education is key to instilling a respect and appreciation for the natural resource base, and a functioning judicial system will help ensure adherence to and enforcement of environmental standards.

**Indicators.** The principal indicator for measuring this objective is the reduction of deforestation trends. Targets in the Peten call for the conservation of over 600,000 hectares by 1998 which would have been converted from natural (predominately forest) cover to slash-and-burn agriculture. Other major indicators include: an increase from 20% in 1994 to 58% in 1996 of target population which adopts more appropriate land-use practices in project areas; and a qualitative judgment as to the presence of an improved policy regime.

**Feasibility and Cost-effectiveness.** The effectiveness of USAID activities is enhanced by an approach which integrates site-specific field activities with policy interventions and donor coordination at the national level. USAID increasingly focuses on improved management and conservation of priority areas not already heavily degraded because the cost of successful rehabilitation of degraded tropical ecosystems is 15 to 20 times greater than the cost of promoting sound management from the start. Cost effectiveness is further enhanced by designing activities to protect and conserve biodiversity and tropical forests through sound economic development alternatives, thereby assuring a continuing stream of both economic and environmental benefits over the long term.

**Progress in 1993-1994.** Significant progress has been made in disseminating environmentally sound productive practices, i.e., for improved management of forests, and for traditional and nontraditional export production. Preliminary data indicate that more than 250,000 hectares of forest have been conserved in the Maya Biosphere (which would have been converted to other uses) compared to a target of 170,000 hectares. The dissemination of improved land-use management and income-generating alternatives to over 4,000 families in 100 communities; development of 20 new products or value-added processing options, and numerous successful natural resource management policy reforms; contributed to this achievement.

**Donor Coordination.** USAID urges other donors to require environmental impact analysis in all projects which they plan to fund. USAID coordinates activities in the Maya Biosphere reserve area and implementation of policy reform with the World Bank, IDB and the German Technical Cooperation Agency (GTZ). In support of Guatemala's transition to peace, USAID and the United Nations High Commission for Refugees (UNHCR) jointly funded a Guatemalan refugee rural reintegration assessment to specifically address the key socioeconomic and environmental issues facing the resettlement of refugee and displaced populations.

**Constraints.** The challenge to the success of this objective is to provide enough information and assistance, soon enough, to the growing population of poor, displaced and hungry people on the need to carefully manage the remaining resources available. As the peace process unfolds and refugees return, the pressure on the remaining resources will become greater and the opportunity for change will shorten.

USAID also assists Guatemala's environment through activities which are discussed under cross-cutting issues below.

**ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$14,769,000 DAF).**

**SU 4. Increased trade and improved labor relations (\$75,000 DAF).**

Guatemalan trade has increased rapidly in the last few years, now equalling more than 45% of GDP. However, sustained economic growth through trade is constrained by an inadequate policy environment, lack of sufficient agricultural and industrial diversification and poor labor relations. By improving the policy environment and providing the skills required to increase export diversification and to build sound labor-management relations, USAID can help to establish the framework for more employment with greater sharing in the benefits of growth.

**Activities.** Activities under this objective are designed to create a more open trade regime, increase development of nontraditional exports, and improve labor relations. Direct support is provided based on the achievement of key policy reforms related to intellectual property rights, the investment registration process, non-tariff barriers and dispute resolution. Development of nontraditional exports is supported through training, applied agricultural research, technical assistance and marketing. USAID encourages improved labor relations through consensus-building training activities for labor, management and government, firm-level technical assistance and training, dissemination of the labor code and strengthening of the government's ability to apply and enforce the labor code. USAID supports the development of sustainable NGOs that can continue to work on export development and trade policy reform once USAID funding ends in 1998.

**Related Activities.** USAID's objectives of improving primary education and of environmentally sound natural resources management are both related to the economic growth goal since, without a literate skilled human resource base and efficient use of its remaining natural resources, Guatemala will not be able to sustain the level of export growth required to compete in the global economy.

**Indicators.** USAID indicators for measuring this objective are: (1) increase two-way trade between Guatemala and the United States, from \$1.8 billion in 1991 to \$ 3.9 billion in 1998; (2) increase total exports from \$1 billion in 1991 to \$ 1.5 billion in 1998; and (3) comply with international labor standards, demonstrated by continued eligibility for General System of Preferences (GSP) benefits.

**Feasibility and Cost-effectiveness.** Increased trade, combined with improved labor relations, are required to ensure continued economic growth as well as a more equitable distribution of the benefits of growth in Guatemala. Guatemala has already demonstrated its political commitment to both liberalize its trade policy framework and to improve labor conditions which are prerequisites for full participation in a future free trade area. USAID activities are designed to encourage more rapid reform, as well as to put in place an institutional structure that can continue the reform efforts.

**Progress in 1993-1994.** Nearly all strategic objective targets were achieved in 1993, with two-way trade surpassing \$2.4 billion, total exports exceeding \$1.2 billion and Guatemala maintaining eligibility for GSP benefits. In addition, nontraditional exports continued to be dynamic, growing by 17% to reach \$523 million, and creating an estimated 19,000 new jobs. Specific policies were improved, including the passage of General Agreement on Tariffs and Trade (GATT)-consistent legislation on safeguards and anti-dumping, the drafting of new arbitration and intellectual property rights legislation and the approval of the Central American Convention on Industrial Property for trademarks. Thirty-seven new labor inspectors were trained and installed in offices throughout Guatemala to provide better coverage to the rural areas and training courses to prepare labor, management and the government for dialogue on labor issues.

**Donor Coordination.** The IDB is currently designing a \$70 million investment sector loan program. USAID works closely with the Bank to ensure that the program it develops will complement the Agency's policy dialogue activities. Other donors, such as the United Nations Development Program, the (UNDP), the GTZ and the European Union (EU), are providing small amounts of assistance that also contribute to this objective.

**Constraints.** The GOG must do more to address workers rights in order to avoid the withdrawal of GSP. If GSP benefits are withdrawn due to the pending 1992 petition against Guatemala for alleged violations of workers rights, the competitiveness of Guatemala's exports in the world market will be seriously affected. Likewise, the implementation of the North American Free Trade Agreement (NAFTA) could have a negative effect on Guatemala's ability to attract and keep new investment, especially in the textile and apparel area. The on-going guerilla conflict also inhibits economic growth efforts, since certain parts of the country remain excluded from receiving needed training and technical assistance.

**SO 5. Improved quality, efficiency, and equity of primary education services (\$4,270,000 DAF).**

USAID's support for primary education is a critical element in creating the human resource base required for improved economic growth and productivity, and thus supports the Agency's goal of broad-based economic growth. Activities under this strategic objective also contribute to other Agency goals of democratic participation, protection of the natural resource base, stabilization of the population growth, and improved human health. USAID's strategic objective of improved quality, efficiency, and equity of primary education services is particularly critical in Guatemala where educational indicators have remained lower than those in Latin American countries over the past decade. Of particular concern is the huge gap between educational coverage for the indigenous Mayan and the Spanish-speaking populations, and the low levels of educational achievement of girls relative to boys.

**Activities.** USAID's strategy focuses on the direct delivery of high impact, high visibility interventions to teachers, schools, and children aimed at improving the classroom environment, improving the efficiency in the allocation and use of resources, and increasing the equity of educational policies and practices. The interventions being tested in large pilot areas include: an alternative curriculum designed specifically for the one-room schools that is training teachers to develop a curriculum based on local experiences and needs, bilingual education services for Mayan students, and a girls' education program that is integrating gender considerations into the country's primary school curriculum and teaching practices, and is testing combinations of classroom-level interventions (e.g., Mayan social promoters, scholarships, and parent committees) to increase girls' school participation. At the institutional level, USAID supports a management information system which produces data for improved decision-making at the ministerial level regarding personnel administration, budget, educational statistics and physical infrastructure. In addition, support is provided for the development and execution of academic achievement tests in order to measure the impact of the three pilot interventions discussed above.

**Indicators.** The indicators for measuring progress under this objective are: (1) repetition rates in grades 1 through 3 decreased from 20.5% in 1991 to 16% in 1999; (2) completion rates for both 3rd grade and 6th grade increased from 47.4% to 54% and from 27.8% to 31%, respectively, in 1991 and 1999; (3) increased number of girls enrolled in 3rd grade, from 90,816 (46%) in 1991 to 129,670 (55%) in 1999; and (4) increased number of Mayan students enrolled in bilingual pre-primary and primary programs, from 159,259 in 1992 to 289,900 in 1999. These improvements in primary education indicators at the national level are a slow process, and will only occur through the leveraging of increased GOG investment and donor support for this sector as well as through improved and more innovative approaches to the administration of primary education services.

**Feasibility and Cost-effectiveness.** USAID's experience in the education sector has taught us that educating children is far more effective in nation-building than trying to educate adults. Two of the high-impact interventions described above, the one-room schools and bilingual education, have been proven the most promising based on thorough evaluation and improved achievement under the pilot interventions. The girls' education program is a pilot activity aimed at testing the feasibility and cost-effectiveness of a package of interventions for increasing the enrollment of girls. Both the GOG and the World Bank have endorsed the broad application of these interventions, assuring both political will and financing for geographic expansion.

Progress in 1993-1994. While pilot interventions are too recently initiated to show statistically significant improvement in continuation rates, repetition rates, and enrollment rates for girls, there has been a 13% increase in the number of Mayan students enrolled between 1992 and 1994. Additionally, USAID-financed activities are showing a positive effect on teacher effectiveness, most notably among teachers in the one-room school program. The application of the management information system to personnel administration by the Ministry of Education has reduced the time to complete teacher appointments from 8 months to 2 months, thereby improving the efficiency of the system. Finally, those one-room schools that have incorporated the school government into democratic classroom activities show a high degree of democratic behavior among students.

Donor Coordination. In large part through USAID leadership, education sector donors have united to standardize policies and to address the public sector with one voice. Actively collaborating donor agencies include the World Bank, the IDB, GTZ, the United Nations Children's Fund (UNICEF), and several others. With USAID in the lead, a coordinated program to test the decentralization of education service delivery is underway. The World Bank recently completed development of its basic education strategy for Guatemala, which essentially consists of continuing the USAID program, including all three high-impact interventions and institutional changes in the Ministry of Education. The World Bank is preparing a large loan, under which the three USAID pilot activities will be expanded nation-wide.

Constraints. In a country where race and gender discrimination have been endemic for centuries, promoting equity in education for Mayans and girls is an ambitious goal. Deep-seated cultural biases can only be changed gradually, through patient dialogue and by the force of logic -- by using the continuing successes to prove that economic and social benefits result from educational equity. Other major obstacles include the low level of GOG resources invested in primary education (1.8% of GDP in 1994) relative to most of its Latin American neighbors, and the ability of the GOG to allocate sufficient fiscal resources to sustain and expand the recurrent costs of the USAID-financed activities discussed above.

In addition to the two strategic objectives discussed above, USAID also plans to encourage economic growth through activities set forth under the second objective of smaller, healthier families and through the cross-cutting issue of supporting peace, as discussed below.

In addition to these objectives, USAID assists Guatemala's economic growth through activities that address smaller healthier families (SO2) as described in the corresponding section above.

**CROSS-CUTTING ISSUES (\$5,727,000 DAF of which \$5,190,000 is Economic Growth and \$537,000 is Environment).**

Support to Peace. Current USAID strategies support the overarching U.S. foreign policy objective in Guatemala of consolidating democracy and a sustainable market economy. However, with a Peace Accord expected to be concluded in 1995, USAID is positioning itself to focus resources in a cross-sectoral effort to ensure that the populations most affected by the armed conflict are successfully reintegrated into the national polity and economy. The USAID strategy argues that intense community development and improvements in the basic productive capacity of the affected populations are the best approaches to ensure a lasting peace in Guatemala. At projected funding levels, selected ongoing USAID activities will be reoriented to directly impact on the target areas and populations. New initiatives, principally activities designed to build democracy, will be developed.

**Other Donor Resource Flows.**

In 1992, United States assistance to Guatemala (including DA, ESF, P.L. 480 Titles I and II, Narcotics, and Peace Corps) equaled approximately 28% of all donor assistance received by Guatemala from multilateral, bilateral, and NGO sources. No other bilateral donor singly provided more than 4% of the assistance received in 1992. Economic assistance administered by USAID totaled \$44.4 million in FY

1992, \$42.1 million in FY 1993, and \$37.3 million in FY 1994. Other leading donors are the World Bank, the IDB, the UNDP and the EU.

GUATEMALA  
FY 1996 PROGRAM SUMMARY

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Providing Humanitarian Assistance	Total
USAID Strategic Objectives						
1. Strengthening Democratic Institutions, Civil Society and Rule of Law				1,969,000		1,969,000
2. Smaller Healthier Families						14,961,000
Dev. Assistance Fund	5,234,000	9,727,000				
P.L. 480 Title II					9,784,000	9,784,000
3. Environmentally Sound Natural Resource Management			4,150,000			4,150,000
4. Increased Trade and Improved Labor Relations	75,000					75,000
5. Improved Quality, Efficiency and Equity of Primary Education Services	4,270,000					4,270,000
Cross-cutting Issues Support for Peace	5,190,000		537,000			5,727,000
<b>Total</b>	<b>14,769,000</b>	<b>9,727,000</b>	<b>4,687,000</b>	<b>1,969,000</b>	<b>9,784,000</b>	<b>40,936,000</b>

USAID Mission Director: William Stacy Rhodes

## GUYANA

FY 1996 Development Assistance Fund Request: ..... \$4,651,000

Guyana is the poorest country in the Western Hemisphere after Haiti. Deeply impoverished, heavily indebted and burdened by the legacy of socialist economic planning, Guyana is now a nascent democracy with a freely elected Government making serious efforts to improve the economy and to strengthen democratic institutions. U.S. assistance to Guyana supports these efforts by fostering increased broad-based participation in the economy and the democratic process. The United States is serving the national interests by (1) influencing the direction, pace and scope of Guyana's economic reforms and development, (2) promoting democratic governance, (3) strengthening Guyana's adherence to the rule of law and its capacity for effective administration of justice, and (4) encouraging Guyana to adopt environmentally sound investment policies.

**The Development Challenge.**

Guyana, a small country of 750,000 people located on the northern coast of South America, has a per capita gross domestic product (GDP) of \$575. Following independence in 1966, a leftist, authoritarian regime socialized the economy and accumulated huge foreign debts. By the end of the 1980s, the country was in a state of virtual economic collapse, and the Government of Guyana (GOG) began a fundamental shift toward democracy and a free enterprise economy. An economic recovery program, sponsored by the International Monetary Fund and the World Bank, was launched in 1989 with the goals of financial stabilization and economic recovery. Since then economic performance has been relatively good--in 1993 GDP grew by 8.3% while the inflation rate was a manageable 7.7% -- but the country continues to face daunting challenges to sustainable growth due, in large measure, to an enormous debt burden, badly deteriorated infrastructure and a severe shortage of skilled people. A recent World Bank poverty assessment found that 35% - 40% of the population was living below the poverty line. Free and fair national elections in October 1992 brought to power a new progressive government. The current government's commitment to democracy is strong, but the country's democratic institutions are weak. Strained race relations between the two largest communities, the Indo-Guyanese and the Afro-Guyanese, remain a challenge to political stability.

**Strategic Objectives (SOs).**

USAID is pursuing two strategic objectives in Guyana; one encourages economic growth, the other helps strengthen democracy.

**ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$2,200,000).**

**SO 1. Expanded economic opportunities for the urban and rural poor (\$2,200,000).**

The GOG has committed itself to fostering private-sector-led growth. By assisting Guyana's efforts to restart its stalled economy, USAID is helping ensure that the poor and disadvantaged, who form the majority of the population, will become full participants in economic change and growth.

Activities. Three activities contribute to achieving this objective: USAID's program to build equity and economic participation is helping to strengthen the business environment in Guyana in order to bring about economic growth with equity. Working with both the public and private sectors, USAID seeks to increase the Government's capacity to implement economic reforms and to foster the participation of private sector organizations and nongovernmental organizations (NGOs) in the formulation of economic policies. USAID also assists Guyana in implementing agriculture sector reforms. The project provides long-term technical assistance to the GOG on agricultural policy and institutional reforms. USAID's sector non-project assistance program will support reforms in Guyana's agricultural sector and

generate local currency for the GOG to use in repairing rural roads, improving drainage and irrigation and strengthening sea defenses (most of the agricultural land in production lies below sea level).

**Related Activities.** The Government's success in strengthening democracy will have a major effect on its ability to improve the economy. A free, open, market-oriented economy can only be sustained where there is political freedom and the rule of law. Having a functioning democracy is a prerequisite for attracting the foreign and domestic capital needed to increase economic activity.

**Indicators.** The indicators for measuring progress toward achieving this objective are: (1) increased employment in the private, formal sector, (2) more equitable income distribution, and (3) greater access to credit.

**Feasibility and Cost-effectiveness.** Among both business leaders and ordinary Guyanese, there is a great deal of support for the Government's move toward a freer, more open economy. However, despite a high level of pledges from other donors, bottlenecks remain in implementing economic reforms and creating a business environment conducive to private investment. USAID has identified a clearly defined opportunity, requiring only a very modest investment on its part, for assisting selected ministries to implement policy, legal, judicial, regulatory and institutional changes in a way that broadens participation and strengthens the voice of small, micro and nontraditional enterprises. USAID grant assistance will help the GOG institute needed reforms and meet conditions necessary to access larger flows from other donors. A relatively small amount of USAID money (\$4,651,000) will leverage a much larger sum of donor funding. Release of these blocked funds will supply badly needed inputs for the economy. Broad-based economic growth, coupled with well-targeted interventions to assist the disadvantaged, is the best way of ensuring greater opportunities for the urban and rural poor.

**Progress in 1993-1994.** A number of preliminary actions took place during the start-up period of the new bilateral activities. Local currency provided to the Institute for Private Enterprise Development under a PL 480 Title II Food for Peace Program significantly expanded the credit available to small and microenterprises. PL 480 local currency also supported counterpart contributions toward improving the economic infrastructure, and as a result of PL 480 conditionality, the GOG made progress in rationalizing management of irrigation and drainage systems and instituting reforms in land titling and leasing. Supported by USAID funds, the International Executive Service Corps began providing advisory services to small enterprises in Guyana. USAID provided short-term training in the United States for 27 employees of the Ministry of Finance.

**Donor Coordination.** The main donors providing assistance related to achieving this strategic objective are the World Bank, the Inter-American Development Bank (IDB) and the United Nations Development Program (UNDP). Projects funded by these three organizations seek to establish and promote policies that stimulate private sector development, improve macroeconomic policy formulation, and increase the capacity of ministries to fulfill their responsibilities. The Canadian International Development Agency (CIDA) provides short-term technical assistance to strengthen the management of small businesses, and the European Community (EC) is planning a project that will provide managerial and technical assistance to Guyanese businesses. The World Bank, IDB and UNDP programs complement USAID assistance, which focuses on accelerating policy implementation rather than formulating policy changes. Similarly, CIDA and the planned EC assistance target specific businesses while USAID assistance is focused on improving the management and capacities of the private sector organizations that represent the business community.

**Constraints.** The Government needs to persevere with its policy of establishing a market-led economy that benefits all segments of society. A sound and equitable policy and a legal, judicial and regulatory environment has to be maintained to ensure a favorable climate for investment and economic growth.

**BUILDING DEMOCRACY (\$2,451,000).****SO 2. Strengthened democratic end legal institutions and processes (\$2,451,0000).**

After more than 25 years of authoritarian rule in Guyana, free and fair elections in 1992 brought to power a democratically elected Government pledged to making the political system open and responsive to the needs of the people. USAID is assisting this transition to democracy that will give the Guyanese people a greater role in determining their own future.

Activities. Two activities contribute to achieving this objective: justice improvement and democracy strengthening programs. USAID will help to improve the effectiveness and efficiency of the Guyanese justice system by providing support to help the system restore its infrastructure and services to an acceptable, sustainable level and to assist with the introduction of more effective and more efficient court administration and management systems. In its efforts to strengthen democracy in Guyana, USAID will promote a pluralistic society and a responsive, open government. Through activities with Parliament, regional and local government, and civil society, USAID aims to improve the working of the democratic system at all levels and increasing popular participation in government. Specific attention is to be given to activities to improve race relations and reduce ethnic tensions between Afro-Guyanese and Indo-Guyanese, and provide opportunities for increased participation of Amerindians in all levels of government.

Related Activities. The success of Guyana's economic reforms will play a large role in determining the development of democracy. A growing economy that raises living standards for all Guyanese is one of the best ways of ensuring that democracy firmly establishes itself throughout the country.

Indicators. The indicators for measuring progress toward achieving this objective are: (1) greater participation by civil society, (2) better perception of the legal system, and (3) improved functioning of constitutional structures.

Feasibility and Cost-Effectiveness. The GOG is very conscious of its lack of experience with democracy and is anxious to have donor assistance to improve its understanding and practice of democratic principles. By moving on two fronts--law and democracy--USAID seeks to strengthen the legal underpinnings of society, while at the same time improving the overall functioning of democratic government. A key set of tasks in the justice area has been clearly defined and is achievable. The democracy activity has been designed for maximum flexibility; it is able to respond quickly to the needs of Parliament, regional and local government, and civil society in a number of broadly defined areas. The return on this investment should be appreciable throughout Guyanese society. A great deal of time and money will be saved by having a more effective and efficient justice system. Strengthened democratic institutions and processes will help ensure the better functioning of open, responsive government and will serve to empower individuals and groups.

Progress in 1993-1994. While waiting for the bilateral projects to start, USAID provided significant electoral assistance to the Government. Two U.S. private voluntary organizations (PVOs), the International Foundation for Electoral Systems and the National Democratic Institute, furnished critical help to the GOG and a local NGO in preparing for municipal and local government elections. The voting, which brought democracy to grassroots-level institutions for the first time in decades, took place in an orderly fashion, underscoring the Government's commitment to the democratic process and the people's continued support for a freer, more open society. The GOG welcomed USAID's arranging training for newly elected regional and local officials. Under a regional justice improvement project, law library needs were assessed and police prosecutors trained, while preparations were made for refurbishing eight magistrate courts. In addition, round tables were organized to engage a broad spectrum of Guyanese society in discussions on key public issues.

**Donor Coordination.** The activity most directly related to this strategic objective is the UNDP's planned municipal development program, which will include training and technical assistance for city functionaries, and possibly assistance to the elections commission. The World Bank anticipates developing a governance program and plans to use USAID studies and analyses in its design. Indirectly related activities include the community development programs funded by CIDA, UNDP and the EC. Also lending support to the achievement of this objective are the economic development programs of donors such as the World Bank, IDB, UNDP and the Overseas Development Authority (British foreign assistance agency) that focus on the regulatory environment, public administration and policy formulation. USAID chairs a donor sectoral and technical group on governance that meets at least quarterly.

**Constraints.** Democracy is new to Guyana and still somewhat fragile. The Government and opposition parties need to continue to abide by the rules of the democratic process. Low salary levels make it difficult to attract and retain qualified personnel within the justice system. Greater job satisfaction and better remuneration will be needed to ensure that key positions are filled.

#### Other Donor Resource Flows.

The United States provides about 6% of total donor assistance to Guyana. The other major donors are the IDB, the World Bank, Canada, the European Economic Community and Great Britain.

### GUYANA FY 1996 PROGRAM SUMMARY

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Total
USAID Strategic Objectives					
1. Expand Economic Opportunities	2,200,000				2,200,000
2. Strengthen Democracy and Legal Institutions				2,451,000	2,451,000
Total	2,200,000			2,451,000	4,651,000

USAID Mission Director: Mosina H. Jordan

## HAITI

FY 1996 Economic Support Funds Request: .....	\$ 90,270,000
FY 1996 P.L. 480 Title II Request: .....	\$ 15,715,000
FY 1996 P.L. 480 Title III Request: .....	\$ 10,000,000

During the three years that followed the September 1991 coup d'etat, successive military-backed regimes exerted a heavy toll on Haitian lives and the economy. These problems created burgeoning and costly demands on U.S. resources in order to cope with a sizeable Haitian refugee influx, carry out interdiction measures, and to bolster the enforcement of United Nations (UN) and Organization of American States (OAS) sanctions designed to drive the military regime from power and restore democracy to the beleaguered nation. The peaceful September 1994 deployment of the U.S.-led Multinational Force (MNF) in Haiti removed the de facto authorities from power and provided the initial enabling environment necessary to restore democracy in Haiti. The MNF has been substantially reduced and will soon transition to the United Nations Mission in Haiti (UNMIH) under U.S. command, to ensure continued security. The restored constitutional government is beginning to address the root causes of Haiti's chronic social and economic problems and is improving prospects for upcoming elections, social reconciliation, stability and economic recovery. The United States has a strong interest in seeing this process through in order to lessen the threat of renewed outmigrations and a concomitant burden on target countries (including the United States), and to permit Haiti and its neighbors to reorient their mutual efforts toward development, trade and regional security.

#### The Development Challenge

With an estimated per capita income of \$225, Haiti is the poorest country in the Western Hemisphere. It has the worst health conditions (infant mortality rate of 101 per 1,000 live births, life expectancy of 54 years) and the lowest literacy rate (20%) in the region, and is one of the two most food-insecure countries in the world, according to the Food and Agriculture Organization (FAO). Population growth remains high (1.9%) and ever-increasing pressures on Haiti's overused land have led to alarming deforestation. Without job opportunities in urban areas, poverty continues to worsen. Conditions greatly deteriorated during the past three years of military government. Corruption and fiscal and economic mismanagement by the de facto authorities, exacerbated by international trade sanctions, plunged the economy into a tailspin, with a cumulative drop of more than 15% in real Gross Domestic Product (almost 20% per capita) in FYs 1992 and 1993, an estimated further decline in GDP of at least 15% in FY 1994, and an inflation rate estimated at 45% in FY 1993 and in excess of 60% in FY 1994. The human rights situation also greatly worsened and increasing numbers of Haitians, more than 20,000 people, took to the seas to escape political persecution and economic despair. These somber statistics underscore the urgent need to establish a durable democracy and political stability in Haiti.

A promising start has been made by Haiti's constitutional government. An electoral commission has been formed, and an interim police force is being trained. Haiti's arrears with the international financial institutions have been cleared, and the government has submitted a budget to the parliament, along with draft legislation aimed at economic reforms. When circumstances changed in mid-September, the United States immediately became the first donor to provide substantial support to the restored democratic government, signing grants for balance-of-payments support and electoral assistance. These actions provided a tangible and timely demonstration of the strong U.S. commitment to assisting Haiti's transition to democracy and economic recovery.

**Strategic Objectives (SOs):**

USAID is pursuing the following three strategic objectives in Haiti.

**BUILDING DEMOCRACY (\$19,260,000)**

SO1. Strengthen public and private democratic institutions participating in an emerging civil society (\$22,606,000 in Economic Support Funds, of which \$18,760,000 is for Building Democracy, and \$3,846,000 is for Economic Growth)

The most serious barrier to Haiti's development and growth is the political instability that has plagued the country since independence in 1804. The only freely elected president in Haiti's history was overthrown in a 1991 military coup, seven months after his inauguration. Under a succession of recent military-backed de facto regimes, public institutions have become more corrupt, inefficient and unresponsive to the public's needs. Provision of services has virtually stopped, and other public functions, such as policy development and providing a regulatory framework, have collapsed. Private organizations engaged in civic activities are weak and have been subject to persistent harassment and persecution. Strong democratic institutions are needed to assist Haiti's citizens and legitimate government to lay the foundation for rule of law and to promote stability and economic development.

Activities. Activities in support of democracy and governance are varied but integrated. Demobilized soldiers are being provided with vocational training to be followed by assistance with job placement. An interim police force, including 3,400 vetted ex-military personnel, has received short-term training and is providing security with guidance from the international police monitors. A portion of the interim police force will gradually be replaced by higher qualified new recruits upon their completion of professional training at the new police academy, under the USAID-funded International Criminal Investigative Training Assistance Program. USAID's efforts will continue to support the government's plans to transform the justice sector through provision of basic office equipment and materials, legal reference libraries, training and technical assistance with court administration and public awareness campaigns, and by increasing access to justice through legal services to the poor. Building on elections supported in FY 1995, the legislature, local governments, civil society, and political parties also are receiving assistance to develop the checks and balances necessary to a democratic system. Public sector efficiency, reform, policy formulation and accountability are being addressed by USAID's Policy and Administrative Reform Project, which supports the government's initiatives in the areas of civil service reform, decentralization, divestiture of public enterprises and fiscal responsibility.

Related Activities. Strengthening of the policy formulation and administrative capacities of the government is an integral component of USAID bilateral activities in agriculture, health, the environment and education. The institutions involved are receiving technical assistance and training in those areas in order to make good use of the support received for the projects' sectoral activities.

Indicators. Given the devastation caused by de facto misrule, USAID has established preliminary indicators for this objective that will be refined over time as Haiti emerges from crisis to recovery. These indicators are (1) the establishment of an effective judicial system, reinforcing the rule of law; (2) reformed economic policies and public administration; and (3) increased public and private sector capacity to effectively promote social reconciliation and civic participation.

Feasibility and Cost-effectiveness. Now that the cycle of repressive, military-backed rule has been broken, Haiti needs functioning, accountable public sector institutions to reestablish the rule of law and provide essential services. Such institutions do not currently exist: substantial external assistance must be provided quickly and on a sustained basis to bolster the constitutional government's efforts to reform public administration and economic policy and to deliver services, enabling it to establish credibility and gain public support for democratic governance. Strengthened private sector institutions are also required to protect citizens' rights and legitimate interests, to monitor government performance, and to support a transition to a civil society. Both types of institutions are needed to

begin the process of social reconciliation, without which any progress will be short-lived. Haiti's citizens cannot prosper without a stable political climate to encourage investment and a social environment free from fear and conducive to development.

Progress in 1993-1994. The peaceful arrival of the Multinational Force in September 1994 totally reversed the political, social and economic environment in Haiti, ending the climate of repression and human rights abuses, which had prevented citizens and all forms of organizations from operating freely. Even during the darkest days of the de facto regime, USAID's democratic initiatives included small grants for legal assistance to the poor, and support for civic education, human rights and prison monitoring. Limited funding helped to maintain four democratic labor unions in operation. A new human rights fund furnished medical assistance, counselling, family assistance and other services to victims of politically motivated violence, persecution and other human rights abuses.

Donor Coordination. Canada is planning to provide \$5 million for police training, and Germany will provide funding to strengthen nongovernmental organizations (NGOs).

Constraints. The pent-up anger resulting from years of oppression will have to be dealt with quickly and effectively through social reconciliation and conflict management to avoid potential attempts at private retribution. In addition, the public has demonstrated unrealistically high expectations for changes that directly benefit their lives, particularly economically, and delays in initiating timely, substantive reforms could jeopardize the new government's effectiveness and credibility. Of particular importance in FY 1995 will be the government's conduct of elections for parliamentary and local government seats and the presidency.

This objective addresses not only democracy goals, but also, economic growth, through the withdrawal of the government from commercial activities (commodity imports and public enterprises) that will be handled by the private sector.

#### ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$57,410,000)

SO2. Promote private sector-led sustainable economic growth (\$26,000,000 in Economic Support Funds, of which \$16,060,000 is for Economic Growth, \$7,900,000 is for Protecting the Environment, \$2,040,000 is for Stabilizing Population Growth and \$10,000,000 in P.L. 480 Title III.)

The democratic transition cannot succeed without notable improvement in the economy and access to opportunities for Haiti's poor citizens, including those in rural areas. Unless there are tangible benefits now, the nascent democracy will have little significance for or support from the largely illiterate population. Small farmers must be assisted to improve Haiti's food security through increased agricultural production and a transition of farming methods to environmentally sustainable practices. The informal sector and microenterprise require assistance if the benefits of post-resolution growth are to be shared. Given the damage to productive infrastructure and the formal private sector, assistance is needed to encourage investment and permanent job creation.

Activities. The arrears-clearing program, which culminated in December 1994 with substantial support from USAID (\$24.8 million), removed the last barrier to significant flows of assistance from the international financial institutions, which will fund large projects in job creation, agriculture, infrastructure and other productive activities. Balance-of-payments support is providing foreign exchange for the purchase of petroleum products and external debt-service payments, and for general budget support for the government. New activities are underway to support the informal sector, and to assist the Tripartite Commission (consisting of government, labor and business) and the Presidential Commission (consisting of business and government) to support reforms that will reduce the government's direct involvement and benefit both business and labor. USAID projects continue to assist small farmers and microentrepreneurs. Support for the development of a national environmental

action plan is underway and a major environmental initiative, based on that plan, will be launched in FY 1996.

**Related Activities.** Haiti's private sector has faced inappropriate competition from the public sector in economic and commercial activities. USAID supports the government's efforts to reorient itself away from these activities through the Agency's Policy and Administrative Reform Project and through policy dialogue conducted under the Emergency Balance of Payments Support program. Simultaneously to the transfer of these opportunities to the private sector, government revenue-mobilization activities will be reinvigorated to produce increased resources to meet the government's responsibilities.

**Indicators.** USAID indicators for measuring progress toward achieving this objective are: (1) to increase formal private sector employment from 60,000 in 1994 to 150,000 jobs in FY 1996; and, (2) to increase agricultural production from 822 metric tons (MT) of corn equivalent in FY 1993 to 949 MT in FY 1996.

**Feasibility and Cost-effectiveness.** As recently as 1991, Haiti's assembly sector employed some 35,000 people. Under stable conditions, Haiti's relatively low wages and high productivity could once again attract investment and jobs, thus decreasing the need for interventions such as direct feeding programs. If Haiti is to return to the path of sustainable economic growth in the aftermath of the political crisis and economic contraction of the past three years, USAID must help to transform and modernize the industrial and service sectors, to assist the most economically vulnerable population to improve and expand activities in the informal sector and microenterprise, and to increase productivity and outputs in the agricultural sector, which still employed two-thirds of the Haitian labor force and produced 35% of GDP in 1991. The government's move to privatize inefficient parastatals will permit a more appropriate focus on its primary responsibilities for policy formulation, regulation and quality control. The transfer of those services to the more efficient private sector will improve the investment climate and benefit consumers.

**Progress in 1993-1994.** The virtual isolation of the Haitian economy in the wake of the tightened U.N. sanctions (total embargo except for imports of basic foodstuffs and medicines), compounded by the de facto regime's corruption and economic mismanagement, rendered the economic crisis even more acute. More than 100,000 jobs have been lost in the modern, formal economy since September 1991. USAID's assistance strategy for this objective in 1993 and 1994 nonetheless was able to help mitigate the effects of economic degradation on poor farmers and on microentrepreneurs.

Activities in agriculture protected small farmers' incomes by providing extension services while promoting sustainable, environmentally sound, land use practices nationwide, designed to stem environmental degradation and to protect the country's most important watershed. Grassroots democratic farmers' associations provided 20,000 small farmers with the means to produce a higher quality coffee product and to receive a higher price for that product. This helped to empower the associations to break the cycle of exploitation established in the Haitian coffee industry which is oligopsonistic. Loans to microentrepreneurs, particularly in the provinces, helped to mitigate the effects of economic decline by keeping small businesses going until the economic crisis ends.

**Donor Coordination.** The World Bank, the InterAmerican Development Bank (IDB), the European Union, and Canada have large programs comprising undisbursed funds and new projects which contribute to the achievement of this strategic objective. The World Bank will provide some \$140 million to support balance of payments and activities in power generation, transport, industrial recovery, and roads. The IDB is planning to provide over \$200 million in support for balance of payments, irrigation, drainage, jobs, roads and porcine development. The European Union will provide \$150 million for infrastructure development, agricultural production and environmental protection. Canada is providing \$10 million for balance-of-payments support and agricultural assistance.

**Constraints.** Haiti's deteriorated services and productive infrastructure are major constraints to economic revival. This includes a chronic lack of electricity, poor telecommunications, inadequate port facilities, badly dilapidated roads and bridges, and irrigation systems. The government will have to move quickly to privatize the inefficient parastatals that are responsible for these services to improve the situation and staunch an important drain on government finances. Donor assistance will have to be coordinated carefully to prevent overlap and saturation of the government and NGOs' capacity to manage and monitor projects. Recurrence of political instability and violence could have a very negative affect on Haiti's economy and the private sector's willingness to invest in any significant way.

This strategic objective also addresses the environment and population. Environmental activities are protect the country's only remaining watershed, e.g. through tree planting, the use of hedgerows and contour planting. Population funds are used to incorporate a higher proportion of women into agricultural, environmental and microenterprise activities.

Economic growth goals are also supported by the first and third objectives, as described in this narrative.

#### STABILIZING POPULATION GROWTH (\$15,000,000)

SO3. Protect and develop the human resource base (\$41,664,000 in Economic Support Funds, of which \$12,960,000 is for Stabilizing Population Growth, \$27,504,000 is for Economic Growth, \$700,000 is for Protecting the Environment and \$500,000 is for Building Democracy.)

As noted above for SO2, all of the SOs contain some elements of certain other SOs as this program was limited to humanitarian assistance for most of the past three years.

Given Haiti's abysmally low social and economic development, it will take many years for the majority of the impoverished Haitian population to significantly improve the quality of their lives, even after the consolidation of democracy and the onset of economic growth. Thus, while the framework for development is being put into place and donor assistance begins to reorient towards the productive sectors, there will still be a need in 1996 to protect and develop Haiti's most vulnerable by providing a reduced level of food assistance and short-term jobs and basic education for a large number of beneficiaries.

**Activities.** USAID seeks to alleviate the suffering of millions of Haiti's children and other vulnerable groups through direct feeding programs and health service delivery, including child survival, AIDS prevention, drug abuse awareness programs, access to primary care, and family planning services provided through NGOs for about 2.2 million disadvantaged Haitians. In addition, short-term retraining of Haitian public sector health workers is aimed at increasing health service delivery capacity. Critical drugs, supplies and medical equipment also are being provided to the government through international organizations to bring immediate benefit to the population not currently covered by NGOs. Short-term jobs allow the able-bodied unemployed to temporarily meet their families' basic needs, offering a dignified alternative to feeding programs and improvement of the productive infrastructure in their communities. A major basic education initiative seeks to implement a national education plan developed by consensus among the public and private education sectors. A separate project provides development training and technical assistance to build institutional capacity.

**Indicators.** The indicators for measuring progress towards achievement of this objective are: (1) to target Haiti's most vulnerable population groups for direct feeding programs for 700,000 beneficiaries in 1996; (2) to increase utilization of preventive health services for child survival in USAID-targeted areas as follows: measles immunizations 47.6% (FY 1992) to 65%; oral rehydration therapy (ORT) use 38.2% (FY 1992) to 50%; (3) to increase contraceptive prevalence rates in USAID-targeted areas from 10.5% in FY 1989 to 20% in FY 1996; (4) ratification of Haiti's national education plan by the Parliament; and (5) an increase in government education expenditures from 17.5% of the national budget in FY 1994 up to 22% in FY 1995.

Feasibility and Cost-effectiveness. This strategic objective recognizes that economic growth and political stability require a healthy, literate population to become sustainable. It has been well-documented that education, particularly of girls, is a determining factor in achieving improvements in health and nutrition, use of family planning and in the economic prospects of a family. Until the private sector revives and the public sector improves its ability to deliver services, continued external support will be needed for these sectors.

Progress in 1993-1994. In spite of the hardships imposed by tightened embargo conditions in 1993 and 1994, the expanded humanitarian assistance program succeeded in providing a much-needed safety net during this time, thereby protecting over one-third of the population from the most serious effects of economic decline. USAID's feeding program expanded to serve over 1,000,000 beneficiaries, providing one meal per day. USAID also supported the initiation of a process to implement a nation-wide reform of the educational system. Short-term jobs provided income to the unemployed (108,000 to date) and improved productive infrastructure throughout the country. Activities in AIDS prevention, family planning and child survival were surprisingly successful given the circumstances, exceeding planned achievements in USAID-targeted areas. The fuel embargo made transportation difficult and expensive, and the economic crisis affected many poor Haitians' ability to pay even nominal fees for services, thereby leading some to forego treatment entirely or wait longer to seek help. With substantial funding from USAID, however, the UN and OAS humanitarian fuel program provided low-cost fuel to some 300 organizations engaged in humanitarian relief, permitting critical activities to continue without interruption. USAID also funded humanitarian relief flights after all airline service to Haiti was halted, thereby allowing essential medicine and supplies to be delivered.

Donor Coordination. USAID has played a leading role in the coordination of all donors' food assistance and is a key participant in the health committee led by the PanAmerican Health Organization. The World Bank will provide \$41 million for health and job-creation activities. The European Union is planning \$14.5 million for food supplements, medical care, sanitation and hygiene. The IDB, Canada and Germany will support feeding, water, medical supplies and job creation, for a total of approximately \$20 million.

Constraints. The public health sector collapsed following the 1991 coup, and donors are still ensuring the viability of a cold chain for vaccines and essential medicines throughout the country. NGOs are the predominant health service providers in Haiti. A plan developed by the legitimate authorities offers an alternative that decentralizes the system in favor of community-based, integrated health systems, with a partnership between the public and private sectors. The institutional weakness of public health facilities and the ministry are daunting constraints to its implementation, however.

In a similar vein, the constitutional authorities have already done a great deal of advance planning to develop the policy environment for national education reform, involving a collaborative relationship between the public and private education sectors. Close coordination among donors will be required to keep the process on track and to build a national consensus in support of major reforms.

#### PROVIDING HUMANITARIAN ASSISTANCE (\$15,715,000 in P.L. 480 Title II.)

The feeding program will be mainly supported by monetized P.L. 480 Title II resources, which are being used, along with P.L. 480 Title III resources and USAID's agriculture projects, to address Haiti's serious food security problems. Those problems must be resolved to reduce, and ultimately, eliminate Haiti's reliance on donor food assistance. Nutrition is being addressed by USAID's integrated health project since activities such as child survival cannot be successful if the beneficiaries are malnourished.

**Other Donor Resource Flows.**

In FY 1994, the United States provided about 70% of all donor assistance in Haiti. Other major donors included the European Union, the United Nations agencies, Canada and France. In the Consultative Group Conference (CG) at the end of January, 13 bilateral donors, the EC and other European, Inter-American and international financial and technical assistance institutions pledged \$1.2 billion to assist Haiti with its Emergency Economic Recovery Program. This CG produced the highest ratio of burden sharing by non-US government sources than any of the recent post-crisis situations - over 80% from non-US sources and under 20% (\$200 million) from the U.S.

HAITI FY 1996 PROGRAM SUMMARY						
	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Providing Human- itarian Assist	Total
STRATEGIC OBJECTIVES						
1. More Effective and Enduring Democratic Institutions	3,846,000			18,760,00		22,606,000
2. Sustainable Private Sector- Led, Equitable Economic Growth	16,060,000	2,040,000	7,900,000			26,000,000
3. Protect and Strengthen the Human Resource Base	27,504,000	12,960,000	700,000	500,000		41,664,000
PL480 Title II					15,715,000	15,715,000
PL480 Title III	10,000,000					10,000,000
Total	57,410,000	15,000,000	8,600,000	19,260,000	15,715,000	115,985,000

USAID Mission Director: Larry Crandell

## HONDURAS

FY 1996 Development Assistance Fund Request: . . . . .	\$ 29,974,000
FY 1996 P.L. 480 Title II Request: . . . . .	\$ 4,410,000

The fourth poorest country in this hemisphere, Honduras has a long history of exceptional support for U.S. foreign policy interests, including recent help on Cuban refugees, Haiti, Iraq and Kuwait. The support appears likely to continue as this evolving democracy takes its place in the United Nations Security Council. Honduras, by opening its economy and adopting market-oriented policies, has increased trade with the United States. Proposed U.S. assistance, focused on increasing the productivity and incomes of poorer Hondurans and on replacing the rule of political and financial influence with the rule of law, will contribute to U.S. political and economic interests. Programs supporting family planning and reduced natural resources exploitation will contribute to U.S. global objectives.

#### The Development Challenge.

After extensive reforms, Honduras achieved remarkable growth rates of 5.6% in 1992 and 6.1% in election year 1993. However, much of the 1993 growth derived from fiscal excesses of the outgoing administration, leaving the new government out of compliance with the International Monetary Fund (IMF) and an economy poised for bankruptcy. A severe drought in 1994 turned an existing energy problem and precarious agricultural situation into outright crises with energy rationing 14 hours per day and food shortages among subsistence farm families. Economic growth plummeted in 1994, reducing fiscal revenues while energy costs soared.

With a per capita gross domestic product (GDP) of \$634, 70% of Hondurans live below the poverty line. Agriculture, the most important sector in the economy, generates two-thirds of national employment. Policy reforms of the early 1990s resulted not only in economic growth, but in a 15% income increase for agricultural households, the poorest in the country. However, a convergence of bad weather and backsliding on policy reforms reduced the dynamism of the sector in 1993 and 1994.

One of the most geographically diverse countries in Central America, natural resource exploitation has cost Honduras half of its four million hectares of broadleaf forest and 40% of the volume of commercial pine timber. A planned system of forest reserves and protected areas is not yet functional. Inadequate watershed management endangers water supplies, while poor municipal sewerage and refuse collection contaminate remaining sources.

Social progress has been remarkably good, given the nation's poverty. But infant mortality and fertility rates of 46 per 1,000 live births and 5.1, respectively, are still too high; use of modern family planning methods is still not widespread; and Honduras has the highest reported levels of human immune deficiency virus and acquired immune deficiency syndrome (HIV/AIDS) in Central America. Some 30% of primary-school students will not complete the sixth grade. And, while the country has institutionalized elections, Honduras is not a mature democracy. Central problems are corruption, a weak judicial system, and lack of a truly representational Congress.

#### Strategic Objectives (SOs).

USAID is pursuing four strategic objectives in Honduras, which contribute to the following agency-wide goals.

**ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$15,685,000).****SO 1. Enhanced economic participation and increased incomes of the poor (\$9,380,000 DAF).**

A robust economy is necessary, but not sufficient, to ensure that lower-income groups will benefit from economic growth or enjoy equal access to economic opportunities. Access to land, credit, technology, and basic education are essential to break the poverty cycle and to produce sustained economic progress in Honduras.

**Activities.** Programs in support of this objective are improving access by low-income Hondurans to resources that increase their productivity and income. The food for development and policy analysis and implementation programs focus on improving agricultural price, trade, and land-tenure policies critical to increased incomes and investment. USAID, through its small farmer agricultural development, export development, and the small business programs, is working with private voluntary and nongovernmental organizations (PVOs and NGOs) to strengthen credit unions, agricultural cooperatives, farmer-owned enterprises, and small and microenterprises. The FY 1995 basic education and skills training project is supporting Ministry of Education alternative basic education programs and a PVO vocational training program, both of which target low-income, out-of-school youth and adults.

**Related Activities.** Environmental activities aimed at protecting forest and soil resources contribute to sustainable economic growth, especially in the agriculture sector. One program directed at hillside farms is helping micro-farmers increase crop yields and incomes.

**Indicators.** The key indicator of progress in achieving this objective is reduction in the percentage of the population living below the poverty line. Other progress measures include: increased agricultural investment; increased number of loans to small and microenterprises and to smallholders in the agriculture sector; incremental employment attributable to selected USAID programs; increased numbers of people completing different levels of basic education; and a higher percentage of USAID-supported vocational-training graduates employed.

**Feasibility and Cost-effectiveness.** The Honduran government's (GOH) willingness to re-establish and maintain a policy framework conducive to investment and economic growth, especially agricultural trade and pricing policies, is critical. Coordinated insistence by USAID and multilateral donors that the GOH avoid price controls and eliminate non-tariff trade barriers will ensure success on this question. Beyond this, the GOH must improve access to productive resources by developing transparent and effective rural land and credit markets, implementing a massive land-titling effort, and improving the efficiency of public-sector organizations. Progress, especially in policy reforms, has not been consistent and must be monitored closely. But success in the effort implies reform of virtually the entire agriculture sector.

**Progress in 1993-1994.** Between 1991 and 1993, the percentage of the population living below the poverty line dropped 15% according to the International Bank for Reconstruction and Development (IBRD). Figures for 1994 are not yet available, but it is likely that both urban and rural incomes declined, given the sharply contracting economy. Agricultural and overall economic growth declined in 1994 to estimated rates of -2.9% and -1.4%, respectively. The declines were due to the economic problems inherited by the current Government, weather, external shocks, labor unrest, trade restrictions, and initial backsliding on agricultural pricing and trade policies whose previous liberalization had helped increase agricultural household incomes between 1989 and 1993. In 1994, USAID-supported programs provided 45,900 loans to micro and small enterprises and small holders in the agricultural sector, more than 70% of which went to women. The assistance also generated 14,000 additional jobs in 1994. There has been a 56% increase in primary education graduates since 1986, of whom 51% are female; and standardized scores for grades 1-3 have increased by an average of more than 40%. Of the more than 25,000 graduates (35% women) from USAID-supported vocational

training centers, over 90% have been employed and their incomes have increased by some \$1,000 annually.

Donor Coordination. USAID maintains especially close management- and technical-level consultations and coordination with the International Monetary Fund (IMF), the Inter-American Development Bank (IDB), and the World Bank (IBRD) across all sectors. There is close bilateral coordination, especially at the technical level. In the joint USAID, IBRD, and IDB effort in support of agriculture policy reform, USAID programs provide the technical analysis for policy conditionality and local-currency resources for policy implementation. In education, the IDB and Germany will pick up activities in formal primary education while USAID moves into alternative basic education.

Constraints. The greatest constraint to progress under this strategic objective is likely to be macroeconomic destabilization, with its fiscal problems exacerbated by the 1994 electricity crisis and drought. Another is pressure from factions within the GOH that support statist, populist policies.

SO 3. Improved family health (\$17,258,000 of which \$12,848,000 is DAF and \$4,410,000 is P.L.480 Title II).

Honduras is a poor country that is trying to address the basic health needs of a population growing at 2.7% per year. Continued U.S. support is needed as it attempts to continue progress while confronting the worst acquired immune deficiency syndrome (AIDS) problem in Central America.

Activities. USAID's health sector program with the Ministry of Health is improving the health status of children through a variety of interventions, including vaccination programs, oral rehydration therapy, maternal health care, and development of rural water and sanitation systems. The program is also attempting to slow the rate of new HIV infections through the promotion of preventive practices, including condom use. The Title II programs implemented through CARE will focus on improving nutrition and food security in the country.

Related Activities. Family planning programs that are part of this strategic objectives have been a significant factor in lowering infant mortality rates.

Indicators. Reduced infant mortality rates, malnutrition among children 12-23 months of age, and the maternal mortality rates are the key child-survival progress measures. AIDS-prevention progress will be measured by the rates of HIV infection in two limited but high-risk groups: commercial sex workers and women attending a prenatal clinic in San Pedro Sula, the country's commercial capital. Key population growth indicators include reduced fertility rates and increased contraceptive prevalence for women 15-44 years of age.

Feasibility and Cost-effectiveness. Achievement of this strategic objective with an increasing population and decreasing budget is feasible because the GOH has committed itself to a series of cost-saving and efficiency measures in primary health care and in AIDS control and prevention. Past progress on population growth, which has relied on both the GOH and PVOs, supports the feasibility of this outcome. Another positive factor is the Catholic Church's restraint in expressing open opposition to condom use in light of the AIDS problem.

Progress in 1993-1994. Infant mortality declined from 85 in 1979 to 50 in 1989, and is currently estimated at 46. With vaccination rates for children under one year exceeding 94%, Honduras has the best record in Central America. Rural water and sanitation programs have helped shift diarrheal diseases from the first to the third cause of death among infants. The percentage of children aged 12-23 months who are seriously malnourished is estimated to have declined from 20.5% in 1991 to 18% in 1994. Although a strategic USAID AIDS-prevention program has just begun, condom distribution increased by 62% in 1992 and continued to increase in 1993-1994. The total fertility rate in Honduras for 1991 was 5.1. The 1994 rate is estimated at 4.8. Total contraceptive prevalence rate (CPR) in

women stood at 47% in 1991 and is estimated at 49% for 1994. The modern methods CPR is estimated at 38%.

**Donor Coordination.** USAID is collaborating with the IDB and the World Bank in the water and sanitation sector, including a reform of the national water authority and work with municipalities. Each donor is also supporting social safety-net programs through contributions to the Honduran Fund for Social Investment. USAID and the IDB also have coordinated on AIDS control and prevention assistance and interventions.

**Constraints.** The principal constraints to achieving health objectives are (1) the lack of an official government policy on reproductive health and (2) the lack of a strong supervisory system that permeates the central Ministry through the regions to the community level. Family planning progress is further constrained by negative publicity and unfounded statements of pro-life opposition groups.

The family health strategic objective (SO3) discussed above will address not only economic growth but also population growth through the following activities. Family planning has been a major factor in reducing Honduran infant mortality rates and contributes to Agency global population goals. USAID's family planning efforts under the health sector program with the Ministry of Health and the private sector population program with the Honduran Family Planning Association (ASHONPLAFA) are expanding coverage and quality of services with a view toward increased use of modern family planning methods. Use of the increased numbers of condoms distributed for AIDS prevention will also help increase contraception.

#### PROTECTING THE ENVIRONMENT (\$5,404,000).

##### SO 2. Effective stewardship of key natural resources for sustainable economic growth (\$5,404,000).

The exploitation of Honduras' forests and soils without regard to sustainability has already begun to affect the lives of Hondurans, as dramatically illustrated by the country's electricity crisis. Continued and sustainable growth in agricultural production, the survival of the country's wood industry, and water supplies depend on stemming this degradation. Moreover, Honduras' forest resources and biodiversity are important to the world environmental situation.

**Activities.** USAID activities are focusing on stemming destruction of forest and soil resources and improving management of existing protected areas. The policy analyses project is supporting improved environmental policies. The forestry development project is demonstrating sound forest management in two large model areas, encouraging sound forest-management policies and practices in pine forests throughout the country, and supporting development of Honduras' system of protected areas. The land use and productivity enhancement project promotes among hillside farm families the use of cropping systems that are simultaneously more productive and protective of the natural resources on which future production depends. The Honduran Environmental Protection Fund programs is building a local PVO and NGO network to improve management of protected areas.

**Related Activities.** Other USAID activities that contribute to this strategic objective and to alleviating broader environmental problems include: family planning programs; health programs that provide water and sanitation and protect microwatersheds for village water supplies; and assistance to municipalities for adequate sewerage treatment and solid waste management and for protecting municipal watersheds.

**Indicators.** Key indicators measuring progress in achieving this objective include: the increased area nationwide of pine forest under effective management, the number of hillside households practicing environmentally sound cultivation practices, reduction of soil erosion on treated hillside farms, and the increased number of forest reserves and protected areas under long-term management plans.

**Feasibility and Cost-effectiveness.** A strongly unified multilateral and bilateral position on the issue of redefining the role of the GOH's forestry agency and changing its leadership and personnel has greatly improved prospects for achieving this objective. CARE's 1994 joining with the GOH in the effort to introduce environmentally sound agricultural practices on hillside farms will further amplify successes achieved to date, and its use of "contact farmers" as extension agents will contribute to the cost-effectiveness of the effort.

**Progress in 1993-1994.** By 1993, Honduras had set the legal framework for halting natural resources degradation. The area of pine forest under effective management plans, which stood at zero in 1989 increased to 119,000 hectares by 1994. The number of poor hillside-farm households using environmentally sound cultivation practices increased from 16,000 in 1993 to just short of 20,000 in 1994, contributing to an estimated cumulative 1.15 million-ton decrease in soil-erosion losses. The number of forest reserves and protected areas under long-term management plans increased from two in 1993 to the targeted six for 1994.

**Donor Coordination.** Close technical cooperation between USAID, the multilateral banks, Canada, and Germany, especially in forestry, is moving the GOH to a major redefinition of its role in the sector.

**Constraints.** With the crises facing the GOH, the environment is not a high priority, and progress is slowed for lack of financial resources. Concern for the environment is a relatively new concept in Honduras; public awareness of the issue is only beginning to become widespread and legal mechanisms for redressing abuses are weak.

#### **BUILDING DEMOCRACY (\$2,342,000).**

##### **SO 4. More responsive democratic processes with greater citizen participation (\$2,342,000).**

To mature as a democracy, Honduras needs ethics in government, a justice system that functions within the rule of law, and a government that responds and is accountable to its citizens. Citizens, meanwhile, need to develop a deeper sense of the values and benefits of citizen participation, and demand access to, and accountability from, their leaders and institutions.

**Activities.** The strengthening democratic institutions program is helping replace the rule of political and financial influence with the rule of law by supporting reform the Court and development of the new Public Ministry charged with prosecuting crimes. It is also fostering equal access and standing for the Honduran population in the justice system. The municipal development project is increasing citizen participation in local government decision-making and improving local governments' ability to respond to constituents. The Honduras peace scholarships program continues to provide Honduran leaders from a range of sectors the opportunity to learn first-hand about U.S. political and economic systems, culture and values.

**Related Activities.** Environmental policy improvements supported by USAID will strengthen municipalities' efforts to protect municipal watersheds. The basic education program will contribute to more enlightened citizen participation.

**Indicators.** Key progress indicators in measuring progress in achieving this objective include: the increased percentage of cases under investigation by the Public Ministry that are prosecuted and adjudicated; increased community attendance at town meetings, increased proportion of municipal budgets going to capital projects; and increased number of participants who have completed the "Experience America" program.

**Feasibility and Cost-effectiveness.** The Honduran President demonstrated dedication to a "moral revolution" aimed at corruption and the weak justice system has improved prospects for substantive progress in this area. The USAID-supported 1990 Municipal Law has already led to a restructuring in

the relationship between the central and municipal governments; and electoral reform, which in 1993 permitted the election of mayors separately from the national ticket, is a major step in breaking the political monopoly of the traditional parties and in increasing mayoral accountability. The effort in the justice and municipal sectors is cost-effective because USAID technical assistance and training are helping set the policy framework and providing the "how to," while the central and municipal governments are financing the services. USAID has increased the cost-effectiveness of the peace scholarships training by maximizing the number of participants through short-term training, which has a high multiplier effect.

Progress in 1993-1994. The late 1993, transfer of the public prosecutor and national police investigative responsibilities to a new Public Ministry made the functions independent of the court and the military, respectively. In 1994, of 312 court corruption complaints, 226 were investigated of which 31 were prosecuted. Whereas municipal town meetings were unheard of in 1990, average participation in these meetings climbed to 110 by 1992 and 140 by 1994. The proportion of municipal budgets going to capital projects in 1994 increased to 32.4% compared to 13.7% in 1992. In 1993 and 1994, 564 participants completed training, increasing the scholarships program's cumulative total to 2,556.

Donor Coordination. Through close coordination on the IDB's proposed \$7 million administration of justice sector loan, USAID and the IDB have agreed on a division of effort that will maximize impact. USAID, IDB, and Germany also coordinate in the municipal sector where the IDB has an \$8.5 million water-systems activity.

Constraints. Principal constraints are: (a) the resistance of the financially and politically powerful to change a justice system that is benefiting them, and (b) the reluctance among some elements of the central government who are unwilling to relinquish authority and resources to the local governments.

#### Other Donor Resource Flows.

In FY 1993, the United States was the major top five donor having provided 17% of the top five donor assistance to Honduras. Other major donors are the World Bank, InterAmerican Development Bank, Japan and Spain.

**HONDURAS  
FY 1996 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Humeni- tanen Assistance	Total
<b>USAID Strategic Objective</b>						
<b>1. Enhanced Economic Participation</b>	9,380,000					9,380,000
<b>2. Effective Stewardship of Key Natural Resources</b>			5,404,000			5,404,000
<b>3. Improved Family Health</b>						
Dev. Assistance Funds	6,305,000	6,543,000				12,848,000
P.L. 480 Title II					4,410,000	4,410,000
<b>4. Democracy</b>				2,342,000		6,752,000
<b>Total</b>	15,685,000	6,543,000	5,404,000	2,342,000	4,410,000	34,384,000

USAID Mission Director: Marshall D. Brown

## JAMAICA

FY 1996 Development Assistance Fund Request: . . . . . \$15,862,000

Independent since 1962, Jamaica is a longstanding, multi-party democracy. The third largest island in the Caribbean, it has a population of 2.5 million and is located about 500 miles south of Miami. The United States has a strong interest in the economic health and political well-being of Jamaica based on geographic proximity and significant trade and investment relations--nearly two-thirds of Jamaica's imports are from the United States. A strong, stable Jamaican economy will protect existing United States investments and markets in Jamaica and provide opportunities for expanding the Jamaican market for United States goods and services. The United States interest in promoting a solid Jamaican economy and society also is based on shared regional security concerns--most recently demonstrated by Jamaica's cooperation in the processing of Haitian refugees and sending troops to Haiti as part of a regional peacekeeping and reconstruction effort, ties through immigration, and a common commitment to democracy. With more than one-third of the Jamaican population living in poverty, sustainable, broad-based growth is critical to improving the standard of living of the poor to a level that can ensure long-term social and economic stability and economic growth for Jamaica.

#### The Development Challenge.

Structural adjustment of the Jamaican economy, begun in the early 1980s, has been a long, difficult process. On the positive side, the Government of Jamaica (GOJ) has implemented macro-economic policy reforms in recent years that have provided the basis for a market-oriented economy with emphasis on exports and investment. Tariff rates have been reduced, quantity restrictions eliminated, and price controls and food subsidies have been abandoned. These changes, together with the liberalization of the foreign exchange regime (in September 1991) and improved monetary and fiscal policies, promise to lead Jamaica toward becoming a fully open, market-driven economy, supported by democratic institutions. However, living conditions for the majority of Jamaicans continue to deteriorate. While economic growth has been positive since 1991 (at an average of 1 %), it remains negative or very low in per capita terms, given a population growth rate of 1.9 %. Additionally, the increase in actual numbers of poor people reflects an inequality in the distribution of economic growth. In view of these trends, Jamaica's challenge will be to ensure sustainable growth and participation by low-income groups in the growth process.

Tourism is Jamaica's major source of foreign exchange. Other principal foreign exchange earners (bauxite, sugar, and bananas) have suffered from world market declines. However, production and markets for nontraditional and domestic production have displayed a robust, upward trend and hold promise for the future. Jamaica's economic dependence on tourism, bauxite, and agriculture has adversely affected the country's natural resource base through deforestation, soil erosion, pollution, and dwindling marine resources. Although Jamaica's health statistics are relatively good, chronic diseases, AIDS, and other sexually transmitted diseases are significant problems. Of extreme concern is a continuing dramatic decline in the basic educational level of the Jamaican population, compromising the ability of the work force to build a modern growth-oriented economy. Although unemployment in Jamaica has decreased to 15%, from 25% in the early 1980s, most labor is absorbed by the informal sector where wages are extremely low. Jamaica's long-term development prospects are based on its ability to provide equitable growth, reduce poverty, earn foreign exchange and generate productive employment for a healthy citizenry.

#### Strategic Objectives (SO).

USAID's overall program goal is to help Jamaica achieve broad-based, sustainable economic growth. To meet that goal, USAID has adopted a development program built on three strategic objectives: (1)

increased participation for equitable economic growth; (2) improved environmental quality and natural resource protection; and (3) healthy, smaller families.

**ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$8,251,000).**

**SO 1. Increased participation for equitable economic growth (\$4,737,000).**

Jamaica's efforts to liberalize its economy and open its markets have laid the foundation for strong and vibrant growth. However, given Jamaica's heavy debt burden, coupled with its import dependence, special efforts to support foreign exchange earnings through an export and investment orientation will be required to complete the process. Broad participation of all segments of the society in a trade- and investment-led growth strategy can be facilitated by emphasizing employment creation and strengthening, as an important element of the strategy and as a way of minimizing negative social impacts of structural adjustment.

**Activities.** To achieve this strategic objective, USAID activities support broader, more efficient markets; improved export production; increased economic opportunities for low-income families; improved services for the tourism sector; and training for a modern economy. The range of activities include strengthening the Ministry of Finance's institutional capabilities in fiscal policy management; assisting with the privatization of major public holdings; promoting pro-competition policy, including the development of fair trade legislation and a fair trade commission; providing institutional strengthening assistance to nongovernmental organizations (NGOs), e.g., private lending institutions, that support microenterprise development; supporting an NGO-led urban renewal effort in the Inner Kingston area which aims to create jobs and improve the investment climate; helping to increase productivity and market development in key export sectors such as apparel, data entry, tourism and agricultural exports; improving infrastructure essential to tourism development; and increasing access for thousands of disadvantaged Jamaicans to employment, capital, education and training, infrastructure and appropriate technologies. A new activity is proposed which will build upon the highly successful Inner Kingston community development project. The Kingston Restoration Company, the NGO which implemented the Inner Kingston project, will assist impoverished urban communities to design and implement essential community-based services and facilities. The Kingston Restoration Company will provide technical assistance, financial management, planning and donor support coordination to establish community health, education, small enterprise and other activities on behalf of low-income communities.

**Indicators.** Program achievement toward this strategic objective is measured by the following performance indicators: (1) increased foreign exchange earnings in priority non-agricultural areas from \$1.02 billion in 1990 to \$2.18 billion in 1998; (2) increased foreign exchange earnings for selected agricultural export crops, from \$20,000,000 in 1990 to \$38,400,000 in 1997; and (3) increased employment in assisted areas, measured against a targeted increase from 104,000 jobs for males and 129,000 jobs for females in 1991 to 146,000 jobs for males and 192,000 for females in 1998. Output indicators that will be used to gauge program success include adoption of pro-competition legislation and establishment of a fair trading commission; the number of small and microenterprises assisted; the value of government enterprises privatized within the targeted timeframe; production levels of yam and smallholder coffee exports; the number of people receiving USAID-supported training for the productive sector; and the quantity of potable water supply available to the key tourism destination of Negril.

**Feasibility and Cost-effectiveness.** The realization of this objective depends on the government's ability to carry out its economic growth program successfully. Based on progress to date, USAID believes that the GOJ's program, if maintained on a consistent and fair basis, can successfully steer the economy through the transition from stabilization to sustainable growth and poverty reduction. USAID's project activities reinforce the GOJ's prospects for success. The authorized budget for the eight USAID projects under this strategic objective totals \$71.3 million over an 11 year period. It is

expected, based on actual results obtained to date, that foreign exchange earnings in both agricultural and non-agricultural areas will improve by \$1 billion over this time period.

**Progress in 1993-1994.** In the past year and a half, the GOJ's foreign exchange earnings increased by more than \$249 million in areas of USAID assistance. Yam exports grew by 37%, and there was a 21% increase in export tonnage through the U.S. Department of Agriculture (USDA) and USAID export-processing facilities. In the same time frame, the GOJ, with USAID assistance, enacted a Securities Act, Fair Competition Act and Employee Share Ownership Program legislation. Over 1,150 loans were made to microentrepreneurs valued at over \$1 million; over 1,000 new jobs were created in Inner Kingston; all 84 graduates of the University of the West Indies' MBA program gained employment; and 120 young people from Inner Kingston received educational scholarships.

**Donor Coordination.** USAID, the World Bank and the Inter-American Development Bank (IDB) activities have complementary activities in support of the GOJ's privatization program. Also, donor coordination has been strong between the Government of the Netherlands, the United Nations Development Program (UNDP), and USAID in efforts to develop the microenterprise sector. USAID and UNDP are co-financing technical assistance for a new division in the Ministry of Finance, the Fiscal Policy Management Unit, which provides institutional strengthening to improve the analysis, formulation, implementation and monitoring of fiscal policy. Under the North Coast development project, USAID and the Japanese Government are co-financing a major project to provide infrastructure in the country's leading economic growth area.

**Constraints.** Despite positive policy reforms, the private sector response has been mixed. High interest rates, high inflation, high taxes, excessive government regulation, and low worker productivity (in rank order) are still inhibiting business confidence and investment. A recent USAID-financed assessment concluded that the two fundamental causes of Jamaica's work force problems are lack of strategic vision among Jamaica's managers and an alarming decline in literacy, numeracy and the work ethic of the work force. USAID is also encouraging economic growth as well as stabilizing pop. growth, through its healthy, smaller families strategic objective, discussed below.

USAID also addresses Jamaica's economic growth objective through activities promoting healthier smaller families (\$3,030,000) and activities discussed under cross-cutting issues.

#### PROTECTING THE ENVIRONMENT (\$5,073,000).

##### SO 2. Improved environmental protection and natural resource management (\$5,073,000).

Jamaica is the most biologically diverse island in the Caribbean, with over 1,000 endemic species and a wide range of habitats. Its economy, from bauxite to tourism to agriculture, is critically dependent on its natural resource base. Unless Jamaicans make conscious and informed choices about pollution, resource management and biodiversity protection, environmental deterioration could vitally threaten all of these key sectors.

**Activities.** USAID's environmental program is targeted at conserving the resources upon which stable and sustainable long-term development depends. USAID's emphasis is to strengthen environmental management organizations in Jamaica, both public and private, to help develop a sustainable national park system, to improve soil management, and to upgrade infrastructure and urban services in key tourist areas. Specific USAID activities include establishing and making sustainable the nation's first two national parks; strengthening the network of environmental nongovernmental organizations (NGOs); and helping shape the mission, vision and organizational structure of the fledgling environmental protection agency, the Natural Resources Conservation Authority (NRCA). These efforts were complemented by bilateral debt reduction negotiations which gave rise to a local currency endowment managed by the Environmental Foundation of Jamaica. The Foundation, through its grant program, has lent critical support to the NGO mobilization and community empowerment so critical to

the overall USAID environmental program's success. In the last year, USAID has adjusted its shelter and agricultural portfolios to enhance support to pollution mitigation and environmentally sound hillside farming practices. A proposed new project will address the effects of poverty and urbanization on Jamaica's fragile natural resource base. It will emphasize the introduction of low-cost technologies, community action and education to mitigate the degradation of water resources, coastal zones and urban watersheds caused by widespread, accelerating squatting--all of which threaten environmental quality, public health conditions, and Jamaica's critical tourism industry.

**Indicators.** Success of USAID's environmental program will be measured by sewage treatment improvements in Montego Bay which are targeted to reduce coliform counts from five million to less than 10,000 parts per 100 milliliters by 1995. Over 20,000 small hillside farmers will have been trained in improved soil management practices, and will have planted tree crops by 1997. By 1995, at least 1,500 squatters' homes in Montego Bay will have dry latrines which create compost instead of sewage, and by 1996, this technology will begin to be installed, with the help of neighborhood enterprises, in low-income communities island-wide.

**Feasibility and Cost-effectiveness.** With a total USAID investment of roughly \$2-3.5 million per year, USAID's strategy for protecting the environment concentrates on three vital, but achievable, program outcomes: improved management of environmentally threatened areas, natural habitat conservation and capacity building for environmental action. The program is cost-effective. For example, investing \$3 million of USAID funds in the national parks system is expected to yield a benefit-cost ratio of about 4:1, and should generate net economic benefits of over \$23 million between 1992 and 2005, primarily from tourism revenue and jobs preserved.

**Progress in 1993-1994.** In the area of improved resource management, the hillside agriculture project helped an additional 2,000 farmers plant tree crops, bringing the total number of assisted farmers to over 10,000, with resulting improved soil management, water retention and income potential. USAID's support to the NRCA has resulted in its design and rapid implementation of a comprehensive, industrial pollution, monitoring and reduction program. NRCA has exceeded the expected target of two successfully concluded enforcement actions in 1993. The shelter program is using the Housing Guaranty and related grant funds to assist the GOJ in its first concerted effort to control pollution caused by the urban poor squatting in environmentally fragile areas. To protect Jamaica's rich biodiversity, USAID has helped establish the two existing national parks, spanning over 200,000 acres across the high peaks of the Blue and John Crow Mountains, and a marine reserve around Montego Bay. Already, the number of Jamaican and foreign visitors to the two parks, at 35,000 in 1993, exceeded the target of 25,000.

**Donor Coordination.** As the lead environmental donor, USAID has worked with the NRCA to coordinate effectively the Canadian, European Union, Inter-American Development Bank, World Bank and other environmental programs. USAID also started a group of eight major bilateral and multilateral donors working on Jamaica's watersheds and hillside farms. As a result of this coordination effort, the group has uncovered and addressed at least three major issues of program overlap and opportunities for enhanced impact.

**Constraints.** Poverty poses the single most significant threat to achieving a more balanced natural resource management and conservation regime in Jamaica. USAID's portfolio must now respond to this challenge by addressing more directly the needs of the urban poor, as well as by intensifying its outreach to the small hillside farmers and rural inhabitants who encroach on the national parks and inadvertently destroy watersheds.

**STABILIZING POPULATION GROWTH (\$2,538,000).**

**SO 3. Healthy, smaller families (\$5,568,000 of which \$3,030,000 is for Economic Growth and \$2,538,000 is for Stabilizing Population Growth)**

Although Jamaica's health indicators are relatively good for a developing country, the Government is under increasing pressure to continue to provide quality health services to the poorest strata of society, while it is undergoing a major restructuring of its economy. AIDS, drug abuse, and teen pregnancy are increasing, overloading the health system and threatening to undermine the impressive gains in health status made during the 1970s and 1980s. This strategic focus was based upon a careful analysis of the critical gaps in GOJ and other donor support for population planning and maternal health, the GOJ's strong commitment to meet its ambitious fertility reduction and HIV prevention objectives and USAID's recognized comparative advantage in delivering population and maternal health assistance.

**Activities.** Through its family planning, AIDS prevention and health sector initiatives, USAID promotes the Agency's goal of "stabilizing population growth and protecting human health" by expanding the range, access and private provision of effective contraceptives; by controlling the spread of HIV and other sexually transmitted diseases (STDs) and by supporting essential health reforms which assure greater access by the poor to vital health services. Activities under this strategic objective are targeted at helping the GOJ implement cost-recovery systems and contain costs through divestment and greater cost-sharing with the private sector. USAID's family planning program in Jamaica is designed to delay the age of first birth, thereby optimizing the employment potential of young women before childbirth and reducing the health complications associated with teen pregnancy, and to reduce family size from the current five members per family to four. Activities targeted at reducing the spread of AIDS and sexually transmitted diseases and the use of illegal drugs comprise the final element of this component of USAID's strategy in Jamaica. A proposed new and cross-cutting project under this objective will assist young, disadvantaged youths through NGO intermediaries. The focus will be on providing family planning and maternal health services, literacy training, and job skills development to improve employment and income opportunities and to prepare adolescents to assume responsible adult roles.

**Indicators.** Reductions in fertility from 2.9 live births per woman in 1989 to 2.3 in 1998 and the incidence of HIV and selected sexually transmitted diseases, as well as access to care by the poorest segments of society, are the key indicators used to measure performance of USAID assistance to the health sector. Other intermediate indicators include increases in contraceptive prevalence (from 55% in 1989 to 68% in 1998), changes in the contraceptive method mix (from 43% using long-term methods in 1989 to 60% in 1998), and increases in condom use.

**Feasibility and Cost Effectiveness.** Numerous studies, including one in Jamaica, have demonstrated the cost-effectiveness of investments in family planning. A 1992 cost-benefit analysis of the Jamaica family planning program found total savings in GOJ health and education expenditures to be about \$154 million in constant 1989 dollars over the 30-year period, 1970 to 2000. The benefit cost ratio for this program is 3:1 over this same 30-year period, with an internal rate of return of 20.3%. The program has had significant demographic impacts with fertility declining from 5.4 live births per woman in 1970 to 2.9 in 1993. While comparable data are not available for the AIDS/STD program, investments in AIDS prevention are expected to result in health care savings for every case of AIDS averted. Investments in the prevention of sexually transmitted diseases are small relative to the benefits of future reduced costs for diagnosis and treatment.

**Progress in 1993-1994.** Based on the demographic survey completed in 1993, performance in family planning has been considerable. The national family planning program has attained 62% contraceptive prevalence, up from 55% in 1989 (6% higher than the original target.) Total fertility remained unchanged, emphasizing the need to promote broader acceptance of long-term contraceptive methods, a key objective of USAID's family planning initiatives. There has been a national shift towards reliance on the private sector for the supply of contraceptives. Also, two new, more effective, long-term

methods (Norplant and no-scalpel vasectomy) have been introduced. In another significant development made possible by USAID support, the GOJ approved a national policy to integrate family life education at all levels of the school system. These measures have contributed to the sustainability and expansion of Jamaica's national family planning program. In terms of the AIDS/STD program, testing services increased by 58% over last year, thus improving the GOJ's ability to detect many more cases of sexually transmitted diseases at an earlier, less costly stage. Another major accomplishment has been a 108% increase in condom use since 1989. Finally, Jamaica's cost-recovery program, designed to ensure that quality services are available for low-income groups, has made good strides. Currently, patient fees account for 9% of hospital costs, up from less than 1% two years ago. These fees are helping to sustain vital public health services throughout the island.

Donor Coordination. Other donors in the health sector have primarily focused their loan funds on infrastructure development, work force training, and university-level education programs. Recently, the USAID has been working to attract Japanese financing for population and AIDS prevention programs.

Constraints. As Jamaica looks toward the twenty first century, its public health system not only must continue to sustain primary health care services, but also will need to deal with the increasing demand for more costly chronic care. A key constraint is the availability of sufficient private funding to meet the demands of rising health-care costs. Another constraint is rising expectations about the need for sophisticated health technology. The government needs to make some politically difficult decisions about the types of services and technology it wishes to provide and can afford to sustain. Another important constraint is that management of many of the chronic diseases facing Jamaica, including cancer, heart disease, diabetes, sexually transmitted diseases, and road traffic accidents, is related to lifestyle changes as opposed to direct medical interventions. Failure to modify behavior may limit the Government's ability to deal with rising health-care costs.

This strategic objective addresses not only population growth but also economic growth, as discussed above.

#### CROSS-CUTTING ISSUES (\$484,000).

Following a 1991 sector assessment that rated Jamaica's democratic institutions and practices as relatively strong, USAID determined that it would not pursue a separate strategic objective in this area, although it has supported targeted activities, including sponsoring the participation of the Agency's senior democracy advisor in a forum that addressed electoral reform. Also, USAID is the sole donor to assist in judicial modernization, through its sustainable justice reform project. The project has focused on improving court and justice administration, including activities aimed at cost-recovery, docket management, courthouse consolidation, administrative policy reform, public education and alternative dispute resolution. Success in these efforts is expected to boost the level of confidence in the justice system. Other donors are assisting in the area of good governance, with IDB financing GOJ administrative reform, and UNDP funding a study on improving GOJ operations.

Other Donor Resource Flows. In FY 1993, the United States provided about 15% of total reported disbursements of all donor assistance to Jamaica. Other major donors are: World Bank, Caribbean Development Bank, IDB, United Nations agencies, European Union, Germany, Japan, Canada, United Kingdom, and the Netherlands.

## JAMAICA

## FY 1996 SUSTAINABLE DEVELOPMENT PROGRAM SUMMARY

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Total
USAID Strategic Objectives					
1. Increase Participation for Equitable Economic Growth	4,737,000				4,737,000
2. Improved Environmental Protection and Natural Resource Management			5,073,000		5,073,000
3. Healthy, Smaller Families	3,030,000	2,538,000			5,568,000
4. Cross-cutting issues	484,000				484,000
<b>TOTAL</b>	<b>8,251,000</b>	<b>2,538,000</b>	<b>5,073,000</b>		<b>15,862,000</b>

USAID Mission Director: Carole Henderson Tyson

## MEXICO

FY 1996 Development Assistance Fund Request:..... \$ 24,242,000

The United States and Mexico share a 2,000 mile border. Mexico's success in challenging the problems of immigration, poverty, population and environmental degradation will ultimately become our success or our failure as well. U.S. interests impel us to strengthen our partnership with Mexico, as together we press forward to solve problems of common concern and to create mutually beneficial opportunities for the 21st Century. Trade with Mexico, which will account for 55% of U.S. exports to Latin America and the Caribbean, has returned to high growth rates over previous years.

Mexico, southern neighbor of the United States, has undergone a metamorphosis in the last decade. By embracing democracy, privatization and free trade, Mexico hopes to reinvent itself and assume a participant role among the world's developed nations. Democracy is an essential condition to a vital and sustainable prosperity, and likewise, such prosperity is a key to maintaining a viable democracy. The timing is optimal, therefore, for USAID to assist Mexico in developing a program of sustainable and broadly based economic growth and protection of the environment. Family planning efforts must be continued as Mexico assumes increasingly greater responsibility for the program. U.S. assistance to Mexico is in reality as much an investment in the United States as it is in Mexico, for if only due to proximity, our futures are inextricably linked.

#### The Development Challenge.

Mexico has made significant progress over the last year in reforming its electoral process, improvements culminating in August 1994, in the most transparent elections in the history of the country. The economy, which had appeared outwardly robust and reasonably stable, has recently suffered a battering on international markets as a result of unexpected peso devaluation and ensuing collapse of investor confidence. Assassinations of several key political figures and civil unrest in the State of Chiapas have exacerbated tensions in Mexico. These setbacks will likely slow the pace of progress, but will not halt it altogether. In fact, events have highlighted the importance of continued governmental reforms to drive a swift economic recovery.

Fittingly, even prior to the recent economic crisis, the newly installed President advanced sweeping proposals for judicial reform. Successful passage and implementation of these proposals will be critical to restoration of investor confidence and subsequent economic revitalization. The North American Free Trade Agreement (NAFTA) also will provide opportunities for an improved quality of life. These opportunities will not come, however, without significant challenges to the environment. USAID, which assisted in garnering support for the passage of NAFTA, is now in an excellent position to act as a mentor to Mexico in helping develop technologically appropriate and sustainable implementation methodologies.

#### Strategic Objectives (SOs).

USAID is pursuing three strategic objectives in Mexico. In addition, other cross-cutting activities in democracy and human rights and dissemination of information on human immunodeficiency virus (HIV) transmission are being advanced in support of the strategic objectives for 1996.

**ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$1,439,000).****SO 1. Improved performance of target institutions in selected legal/regulatory areas related to the NAFTA (\$654,000).**

The NAFTA, while not the answer to all of Mexico's problems, offers significant promise as a vehicle to greatly improve long-term economic prospects. Successful implementation of NAFTA will include Mexico's ability to comply with pertinent laws and regulations. Key counterpart agencies within the Mexican government have been targeted for training and information exchange in order to achieve this objective.

Activities. Focus has been on compliance with commerce, labor and maritime laws, through information exchange and training, both in the United States and in Mexico. Courses have been conducted on product labeling and nutrition standards; patent, trademark and copyright application processing and standards for occupational safety and health of workers. Field training in the use of turtle excluder devices by Mexican shrimp fleets has taken place in several locations in the Gulf of Mexico. The patent and trademark training project has been conducted both in Washington as well as Mexico City. Participants have received general instruction, followed by specific course work related to particular areas of responsibility such as biotechnology. This educational and training process is resulting in Mexico's ability to implement more effectively and efficiently the provisions of NAFTA, thus realizing almost immediate economic benefits from the treaty.

Indicators. USAID indicators for measuring progress toward achieving this objective are: (1) increased percentage of inspections that follow newly developed norms for industrial pollution control; (2) increased percentage of shrimp boats in compliance with required use of turtle excluder devices in the Gulf of Mexico and the Caribbean and (3) reduced backlog of patent applications.

Feasibility and Cost-effectiveness. Rapid and effective implementation of NAFTA by Mexico will support the economic revitalization and growth of that country. Additionally, enhanced economic health in Mexico will result in more jobs in Mexico, more disposable income, and very likely, more imports from the United States. Confronting environmental challenges early on should lead to a comprehensive bilateral approach to dealing with current and future problems. If the environment becomes a victim of NAFTA, then even the most stunning trade increases will be a pyrrhic victory.

Progress in 1993-1994. All training goals under each of the three indicators have been met. The development of a shadow program to strengthen Mexican Government regulatory capacity is underway and quantitative data to compare against indicator number one should be available by the end of 1995. As of the third quarter of 1994, trends reflected 100% compliance with shrimp boats inspected for use of required turtle excluder devices. A re-assessment is planned in April 1995 to determine the validity and reliability of previously collected data. This exercise should be revealing as to whether these results will continue to be exemplary, and if so, whether they will provide evidence for sustained achievement of the indicator. Finally, the 8 - 11 year Mexican patent and trademark backlog has been eliminated, and in the process of becoming current on applications, more than 10,000 patents were issued by Mexico to U.S. citizens.

Donor Coordination. The World Bank and the Inter-American Development Bank are donors in the NAFTA initiative. These institutions are joined by the Government of Mexico (GOM) which has been an active contributor in all aspects of the economic growth objective, covering all salaries and partial expenses of training participants as well as by providing in-kind donations. Canada, the third NAFTA partner, has been involved in various aspects of the labor initiative and in the nutrition and labeling standards program.

Constraints. NAFTA has opened the door for Mexico to become a more equal partner with the United States and Canada. The recent change in administrations has resulted in a massive personnel turnover

in the bureaucracy of Mexico. It will take some time before fully effective working relationships are developed with the new counterpart agencies. Additionally, the recent economic upheaval has created a tension and uncertainty in Mexico that must be overcome before substantive progress can be made on economic or environmental issues. The positive side of all this is that, with various reforms already in place and other important changes contemplated, Mexico is well positioned for a swift recovery.

In addition to the above objective, USAID also addresses economic growth by increasing the availability of information on HIV transmission and prevention, as discussed under cross-cutting issues, below, and by addressing environmental activities as discussed under SO2 below.

#### PROTECTING THE ENVIRONMENT (\$5,403,000)

SO 2. Increase environmentally sound natural resource and energy use (\$5,403,000 of which \$500,000 is for Economic Growth and \$5,403,000 is for Environment).

Pollution and environmental destruction are problems which respect no political boundaries. Noxious emissions in Ciudad Juarez, Mexico freely cross the border to El Paso, Texas. Contamination generated in Tijuana, Mexico, will quickly spread to San Diego and beyond. Improper management of forests and energy results in waste and in the longer term, climate change. However, laws governing the environment are only as good as the capability and willingness of governments to enforce them. USAID's environmental program in Mexico focuses on two global environmental problems: global climate change and biodiversity conservation. It is building capacity in both governmental and non-governmental entities and is creating bridges to understanding the value and importance of compliance.

Activities. To mitigate the impacts of global climate change, USAID is supporting activities in forest conservation and energy efficiency. Forest conservation efforts are focused primarily on protection and proper management of biosphere reserve areas and buffer zones. Indigenous populations and non-governmental organizations are engaged and being strengthened in appropriate management and monitoring techniques. In selected areas, the key partner is the Government of Mexico, through target counterpart agencies such as the Secretary of Social Development which is currently charged with enforcement of environmental laws and regulations. Significant elements of the forestry program include empowerment of local populations to develop and utilize the natural resources sustainably for economic gain, such as maintaining plant nurseries and planting sustainable alternative coffee crops.

The renewable energy portion of USAID's environmental program features a grass-roots and private sector approach to working with local populations in development of local, renewable energy sources to meet their needs, rather than extending the costly and inefficient national grid system to remote areas. Many of these activities have created market opportunities for U.S. firms to export goods and services to Mexico. For example, projects based on solar photovoltaic technology have been applied to water pumping for livestock and crop irrigation, lighting for commercial purposes, refrigeration for fish storage, power for grain-grinding and eco-tourism.

To support biodiversity conservation, the Mexico Conservation Fund is being strengthened. Mexico is one of the world's mega-diversity countries and the initial endowment will provide sustainable funding for a wide variety of biodiversity conservation and development activities. Activities focus on conservation science and planning, natural resource protection and management, public-private partnerships in conservation-based local development initiatives, policy analysis, public education and awareness campaigns and training of conservation specialists.

Indicators. The indicators for measuring progress toward achieving this objective are: (1) carbon dioxide emissions prevented through selected energy uses per year; (2) average annual deforestation rate in target areas reduced; and (3) number of viable populations of indicator species maintained in target areas.

Feasibility and Cost-effectiveness. The environmental and energy market, estimated at \$1.7 billion in 1990, has been growing steadily. Renewable energy and energy conservation applications are expanding rapidly in Mexico to meet demands for rural electrification and to provide specialized remote power sources. In certain areas, microenterprises have sprung from training in sustainable and appropriate technologies for the locality. Structuring activities so that participants have a financial interest in the outcomes greatly increases the likelihood of success and continuation of the program. Sustainable natural resource management has spun off nontraditional markets such as natural cosmetics, ecotourism and genetic resources. Development of these markets promises to provide income to both Mexican and U.S. firms.

Progress in 1993-1994. Rapid rural appraisals, as well as environment, natural resource, and socio-economic baseline studies, have been completed for the Calakmul Biosphere Reserve and are in process for the Montes Azules Biosphere Reserve and at least seven other sites. Work plans have been developed and approved for eight Parks-in-Peril reserves and protection actions are following accordingly. Training and technical assistance has been provided to more than 150 Mexican environmental professionals under the advanced development country (ADC) training program in 1994 alone. Projects to reduce dependency on burning of fossil fuels have been developed and implemented. Curricula include energy training, demand-side management, integrated resources planning, renewable energy technologies and bio-mass co-generation. Activities promoting environmentally sound microenterprise and nontraditional alternative crops are underway in the buffer zones of six reserves.

An institutional strengthening grant was provided to the Mexican Conservation Fund, the project design for which is nearly complete. This will allow the \$19.5 million USAID contribution to the fund to proceed.

Donor Coordination. The World Bank, the Inter-American Development Bank, the United Nations Energy Program, the GOM, the Mexico Conservation Fund, the World Wildlife Foundation, the Nature Conservancy, the MacArthur Foundation, Bankers Trust, the Packard Foundation and a variety of Mexican and U.S. nongovernmental organizations (NGOs) are contributing financially and non-financially to the environmental initiatives in Mexico. The best example of this is the support provided by seven different donors in the initial design and development of the Mexico Conservation Fund. Discussions are now underway with multilateral development banks to secure the remaining \$70 million needed for the full capitalization of the endowment. As word of success and economically feasible outcomes spreads, it is anticipated that more donors will come on board. A concerted effort is underway to recruit additional, long-term financial participants.

Constraints. The recent change of administrations in December 1994, including the creation of a new and integrated environmental ministry, will cause some delay in implementing programs until relationships with new cabinet and department heads are forged and rapport is developed. Because awareness and support for environmental activities have been increasing sharply over the last several years, it is not anticipated that any significant impact will result from these potential changes in timetables.

#### STABILIZING POPULATION GROWTH (\$16,882,000)

##### SO 3. Sustainable increase in contraceptive prevalence (\$ 16,882,000).

In the half-century from 1940 to 1990, Mexico experienced a population explosion, witnessing an incredible four-fold increase from 20 to 81 million persons. Recognizing that family planning was essential to economic growth and stability, approximately two decades ago, the Government of Mexico approached USAID for help in moderating this skyrocketing rate of population increase. During this time, the annual rate of growth has declined from 3.2% to 1.8% and the fertility rate has declined by more than 50% in the same period. Work remains to be done, however, particularly in rural areas where lack of resources has limited the availability of family planning information and services.

**Activities.** The USAID goal is to ultimately phase USAID out of population activities and to have the Government of Mexico, in partnership with NGOs, assume complete responsibility for continuing the program. Toward this end, USAID has assumed a coordinating role, leaving direct service delivery to the Government of Mexico and the participating NGOs. USAID has provided technical assistance, training and limited commodity costs required to establish an institutional framework for extending the family planning program to underserved areas. In exchange, the Mexican Government has agreed to assume full responsibility for recurring expenses of maintaining the program.

**Indicators.** Because of the high degree of confidence in the USAID population program, the sole determinant of success is a sustainable increase in the contraceptive prevalence rate.

**Feasibility and Cost-effectiveness.** In November 1991, USAID entered into a landmark agreement with the Mexican Government and key private sector family planning organizations. A critical aspect of this agreement is the United States' plan to incrementally decrease funding for the population program through 1998, and the Mexican Government's commitment to increase its funding in comparable amounts. Mexico is acutely aware that, absent stability in population growth, there will be neither prosperity nor peace.

**Progress in 1993-1994.** Unprecedented levels of cooperation have developed among the four, separate Government of Mexico implementing agencies, the NGOs and USAID. The Government of Mexico fully complied with its obligations in 1993, which mandated that the government purchase 50% of their program requirements for pills, condoms and intra-uterine devices (IUDs). Third-quarter data from 1994 reflect that the government has again met its contractual obligation, this time for purchase of 75% of the program needs. A survey is underway to determine current rates of contraceptive prevalence.

**Donor Coordination.** The World Bank, The Inter-American Development Bank, the United Nations Fund for Population Activities, and the Government of Mexico are the major donors to the population program.

**Constraints.** Again, as with the other strategic objectives, it will take some time to develop new contacts within the administration. Because of the fact that the Government is so immersed in the population program, any "down time" is likely to be minimal. Outreach into more remote areas will be a challenge, as transportation and communications are generally more difficult in such locations. The nongovernmental organization involvement will serve the program well in this regard, as a grass-roots approach can be employed, bolstering the likelihood of desired longitudinal outcomes.

#### CROSS-CUTTING ISSUES:

Mexico has two targets of opportunity identified for 1996 which indirectly support and reinforce various aspects of the strategic framework.

1. Increased availability of information on modes of transmission and prevention of HIV (\$285,000 for Economic Growth) .

USAID has been working in the area of information dissemination for AIDS prevention for a number of years. Certain activities are focused on reaching women, adolescents and migrant groups, while others are directed to a national audience. USAID provides funding to NGOs which deliver services through lectures, conferences, formation of local groups and clubs and similar approaches tailored to the needs of the target audiences. USAID's HIV activities are mutually complementary with specific activities, such as condom distribution promoting safe sex, funded under the population growth strategic objective.

**2. Strengthened capacity of target institutions to deal with selected democracy/human rights issues. (\$518,000 for Building Democracy).**

Because of the high political sensitivity involved in building democracy, and in acknowledgment of the current climate of reform in Mexico, work during 1994 was aimed at providing information, global database links and organizational support to Mexican legislators and NGOs on bilingual education, human rights and democracy issues. The key partner in this regard was the Congressional Human Rights Foundation. The Mexican Government has requested further assistance from this organization and plans are in the making for a 1995 agenda. Additional efforts were launched and concluded in the area of election monitoring. Assistance in the field of judicial reforms will be a cogent topic for the next several years, as the new administration struggles to bring their ambitious reform proposals to fruition in law and in reality.

Other Donor Resource Flows: The top five donors providing assistance to Mexico in FY 1993 were Spain, Japan, France, Germany and UNHCR.

MEXICO  
FY 1996 PROGRAM SUMMARY

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Total
USAID Strategic Objectives					
1. Improved performance of target institutions in selected legal and regulatory areas related to the NAFTA.	654,000				654,000
2. Increase environmentally sound natural resource and energy use.	500,000		5,403,000		5,903,000
3. Sustainable increase in contraceptive prevalence.		16,882,000			16,882,000
Cross-cutting issues:					
Increased availability of information on modes of transmission and prevention of HIV.	285,000				285,000
Strengthened capacity of target institutions to deal with selected democracy and human rights issues.				518,000	518,000
<b>Total</b>	<b>1,439,000</b>	<b>16,882,000</b>	<b>5,403,000</b>	<b>518,000</b>	<b>24,242,000</b>

USAID Mission Director: Arthur H. Denert

## NICARAGUA

FY 1996 Development Assistance Fund Request: . . . . . \$ 37,234,000

Nicaragua is making genuine progress in building an inclusive democratic society and a broad-based market economy. It is in the United States interest to help Nicaragua achieve long term political stability. A stable Nicaragua is key to regional economic integration and increased trade. In the decade of the 1980s, civil war and economic mismanagement reduced income per capita by half, leaving Nicaragua the third-poorest country in the region. The election of 1990 brought to office Nicaragua's first freely elected democratic government in over a century. The current government is treading a difficult path in a still polarized political situation, and democratic institutions and values are fledgling. On the economy, United States economic assistance has helped the Government of Nicaragua (GON) to halt five-digit hyperinflation and jump-start economic growth. Nicaragua is now poised for economic recovery. Yet, in 1996, Nicaragua faces the challenge of another politically charged national election. Continued United States assistance is vital to our interests in the consolidation of democracy and sustainable development in Nicaragua, and stability in Central America.

#### The Development Challenge

Nicaragua's per capita gross domestic product (GDP) is the third lowest in the hemisphere after Haiti and Guyana. Continued lack of political consensus, unresolved confiscated property cases, uncertain land tenure, and an economy still showing the effects of war and socialist mismanagement during the last decade represent daunting development challenges. Nicaragua is an agrarian economy where rural residents account for 63% of people living below the poverty line and for 78% of the population living in extreme poverty. Small farmers growing basic grains continue to be the mainstay of the economy, with nontraditional crops growing rapidly. Agricultural exports, starting from a very small base in 1990 are recovering, expanding at an estimated 60% from 1992 to 1993. However, land tenure insecurity affecting approximately 166,000 farm families, low technology levels which have produced small yields, limited access to productive credit, and inadequate basic infrastructure (e.g. roads, ports telecommunications, etc.) continue to be major impediments to recovery and agricultural expansion.

During the last four years, the Government of Nicaragua's (GON) sound macroeconomic management program supported by U.S. balance-of-payments assistance was responsible for halting runaway inflation, reducing the size and scope of the public sector, balance of payments and fiscal deficits and reaching agreement with the International Monetary Fund (IMF) and other international donors on a structural adjustment program. With USAID's assistance, there has been progress in basic health and education indicators. Since 1990, the infant mortality rate has dropped significantly, immunization coverage expanded dramatically, use of contraceptives has almost doubled in the past decade, and access to primary education has expanded rapidly. USAID assistance has been and continues to be crucial to support the ongoing transition of this country from deep poverty with low social indicators to a prosperous, open, market economy, and stable democracy with a higher quality of life.

#### Strategic Objectives (SOs).

##### ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$20,316,000)

##### SO 1. Increased economic access and opportunity with improved market efficiency and performance (\$10,960,000)

Despite recent gains in the economy, many of the benefits are not reaching the vast majority of Nicaraguans. According to a recent living standards survey, Nicaragua has approximately 344,827 poor households and 131,000 households in extreme poverty. Despite a predominantly agricultural

society, Nicaragua is ranked as the fourteenth worst food insecure country in the world, exceeded in this hemisphere only by Haiti and about tied with Peru. Markets are fragmented and dysfunctional, with barriers to entry for small and medium producers, and hence do not distribute the benefits of growth down to lower-income groups.

Activities. USAID supports a broad variety of activities to facilitate the growth of new capital markets, to increase productivity, to generate employment and income, and to provide inputs to small producers to enable them to produce more. Efforts include modern technology transfer to increase yields in agriculture and small businesses. This technology transfer makes producers more creditworthy and contributes to their ability to access capital. Under the private agricultural services project, USAID is providing grants to coffee, cattle and grain producers as well as to nontraditional agricultural exporters. Under the employment generation project, USAID has supported the construction of small-scale, labor-intensive infrastructure in the remote Atlantic Coast and throughout the country. Other activities include support for microenterprises in both rural and urban areas under the private voluntary organization (PVO) cofinancing project and technical assistance to small-scale firms under the private sector support program. USAID is assisting the development and expansion of a broad financial system, particularly reinvigorating rural financial institutions and promoting savings mobilization through the rural savings mobilization project. After years of neglect and economic decline, our Atlantic Coast program assisted this remote region to become self-sufficient in rice, helped to plant 1.3 million trees for reforestation, and constructed schools, health clinics, hospitals, bridges and roads to economically reactivate this region.

Indicators. Key program results under this objective include improved private sector transfer of technology and increased opportunity for employment and ownership of productive assets. Indicators to measure progress include: (1) an increase in the number of farmers using improved technology from 7,500 in 1994 to 22,000 in 1998; (2) long-term employment generated in nontraditional agriculture; (3) number of microenterprise loans increased from 2,525 in 1994 to 6,200 in 1996; and (4) short term employment generated by USAID projects from 39,500 person months in 1992 to 150,000 person months by 1994.

Feasibility and Cost Effectiveness. Nicaragua faces a tough challenge to reinvigorate its economy, particularly the agricultural sector. Yet, the government has already succeeded in reversing a highly statist economy, opening markets, liberalizing prices, and privatizing over 350 formerly state-owned firms. The private sector is also opening new financial markets including a stock exchange and an agricultural commodities trading exchange to provide greater access to ownership of assets. Finally, the liberalization of the basic grain prices and improved technology for these products has resulted in higher productivity and prices for small producers of these commodities, and income gains for lower-income Nicaraguans.

Progress in 1993-1994. USAID has provided improved technology to over 3,000 small coffee farmers, 1600 cattlemen, and 600 basic grain farmers. An estimated 32,000 jobs in agriculture have been created as a result of these activities. USAID has signed agreements with private voluntary organizations (PVOs) to provide over 17,000 beneficiaries with microenterprise loans. Private bank assets have grown from nothing in late 1991 to over 50% of the total banking system by the end of 1994. Over 150,000 person-months of employment have been created by USAID employment generation projects.

Donor Coordination. The GON finally concluded in early 1994 an Enhanced Structural Adjustment Facility (ESAF) agreement with the IMF and a corollary macroeconomic policy performance agreement, entitled the Economic Recovery Credit, with the World Bank to assure the appropriate macroeconomic framework for economic growth.

Constraints. Both politics and society in Nicaragua remain highly polarized, and progress on the economic front is dependent on building consensus around economic reforms. Conflicting claims and

insecurity of property continues to impede both local and foreign investment and to divide the country. Finally, lack of access to capital, particularly medium and long-term credit, technology and other productive inputs constrains productivity and recapitalization of agriculture and industry.

#### SO 4. Improved quality and efficiency of basic education (\$5,297,000)

One of the key determinants of increasing income, employment and sustainable economic growth is the investment in a well-educated labor force, particularly with the completion of a primary education. Nicaragua has one of the poorest systems of primary education in the region, characterized by high repetition and drop-out rates and lack of resources. Only 22% of children entering first grade complete sixth grade. Teachers are generally uncertified or untrained, poor condition of schools, inadequate or irrelevant curricula, and until recently, textbooks and teaching materials are extremely scarce.

Activities USAID has supported the development, production, and distribution of new curriculum for language, math and civic education; developed new instructional materials; provided in-service training for over 12,000 primary school teachers and trained over 600 Ministry of Education (MED) employees in educational planning, management, and supervision of schools. Technical assistance has assisted MED to review its educational policy framework and the creation of a decentralized model for education.

Indicators Key indicators use to measure this objective are (1) the percentage of children entering first grade eventually graduating primary school increased from 22% in 1992 to 31% in 1996; (2) the average number of years to reach sixth grade reduced from 16.0 in 1990 to 7.8 in 1996; and (3) non-salary expenditures per student increased from 4.46% in 1991 to 12% in 1995.

Feasibility and Cost Effectiveness Evidence in Asia and elsewhere in Latin America indicate that primary education is the most cost-effective investment for development. Hence, USAID has focused its efforts on increasing the quality and efficiency of Nicaraguan schools to produce increased numbers of children who attain skills in basic literacy and numeracy.

Progress in 1993/1994 The number of years to produce a sixth grade graduate dropped from an estimated 16 in 1990 to 9.3 in 1993. A total of 3.7 million textbooks had been purchased and distributed with USAID assistance, global curriculum reform plan has been developed and 40 MED staff have been trained in curriculum development. Over 4,500 teachers have received training in active learning methodology and a 5 year strategic plan for upgrading the skills of teachers nationwide has been developed. MED has implemented an experimental decentralization system for six schools.

Donor Coordination The World Bank is currently developing a program focusing on basic education but focusing on policy level inputs and infrastructure rehabilitation.

Constraints While budgetary resources to MED are increasing proportionally, GON fiscal austerity measures may reduce in absolute terms the level of funding to the sector. Furthermore, by law, the university levels must receive 6% of the overall budget, effectively shifting the balance of funding away from primary schools.

#### SO 5. Improved maternal and child health (\$9,686,000 of which \$4,059,000 is for Economic Growth and \$5,627,000 is for Stabilizing Population Growth)

Despite reductions over the last decade, Nicaragua continues to have high infant and childhood mortality rates. Diarrheal diseases and acute respiratory infections are major causes of mortality among children. While significant strides have been made in improving immunization coverage, 10% of all infant deaths and 12% of deaths occurring after the first year of life are still caused by vaccine preventable diseases.

Family planning for both birth spacing and limiting family size has been shown to reduce both maternal and infant morbidity and mortality and thus forms part of the strategy for improving maternal and child health. As measured by various indicators contraceptive use has increased in Nicaragua over the past few years. This has not made a significant impact on total fertility or population growth rate because voluntary sterilization is the preferred method of contraception and most women opt for it after they have had four or five children. The challenge is to promote the use of temporary methods and to encourage women to seek surgical contraception sooner.

Activities. USAID is helping to transform the Nicaraguan health system, making it more sustainable and accessible to the needs of Nicaraguan citizens through decentralization and a greater focus on primary care. Working with the Ministry of Health (MINSa) in five priority regions, USAID supports preventive maternal and child health survival interventions in the areas of control of diarrheal diseases and acute respiratory infections, nutrition education and immunization. Emphasis is on training of community health workers and expanded immunization efforts. USAID is aiding MINSa and PROFAMILIA in the expansion of family planning services, particularly in underserved areas. With USAID assistance, PROFAMILIA will encompass a network of 800 community-based distribution centers backed by 11 full service clinics.

Related Activities. USAID also funds primary health care programs with U.S. PVOs such as Project Hope, World Relief Corporation, the Adventist Relief Agency, and Save the Children Federation which are expected to reach more than 100,000 mothers and children with health, nutrition education, and expanded primary health care services.

Indicators. The key progress indicator to measure this objective for the next five years is a drop in infant mortality from 58 per 1000 live births in 1993 (down from 72 per 1000 in 1990) to 50 per 1000 in 1996. Key indicators for measurement of progress toward stabilizing population growth are (1) a drop in the fertility rate from 4.6 children in 1993 to 4.0 children in 1997; and (2) increased contraceptive use prevalence from 48.7% in 1993 to 53% in 1997.

Feasibility and Cost Effectiveness. PROFAMILIA and the Ministry of health (MINSa) have an existing network of clinics and health posts. Although the network is characterized by an inadequately trained staff, and a lack of medicines and supplies, and have inadequate budgetary resources it forms an initial framework for improving maternal and child health services in Nicaragua. The recent family health survey indicates a strong demand for contraceptives and family planning services. PROFAMILIA and MINSa have an existing network of clinics and health posts that have poorly trained staff, lack medicines and supplies and budgetary resources.

Progress in 1993-1994. The mortality rate for infants less than one year old has dropped from 72 per 1000 in 1990 to 58 per 1000 by the end of 1993. With USAID provided inputs, the average immunization coverage has risen from 75% in 1992 to 88% last year due to nationwide immunization campaigns. By 1992, use of contraceptives has increased to 49% of married women from an estimated 27% in the past decade, with a corresponding decrease in the fertility rate. This has been accomplished without a change in the age at first birth, confirming the increased use of modern methods of contraception for spacing births and limiting families to the desired size.

Donor Coordination. A donor coordination group, headed by the MINSa, has been established, and is meeting regularly to coordinate progress in this sector. A donor coordination group, headed by the MINSa, has been established, and is meeting regularly to coordinate progress in this sector.

Constraints. Physical access to health care is very uneven throughout Nicaragua. In particular, women and children living in poor remote mountainous regions are underserved by the existing health system. Information systems are weak and unreliable, making effective targeting of resources and services difficult. The GON lacks a clear population policy and conservative attitudes in some sectors of

Nicaraguan society make acceptance of family planning problematic. Poor, remote mountainous regions are also underserved by the existing family planning system.

This SO addresses both broad-based economic growth and population goals.

#### **BUILDING DEMOCRACY (\$6,218,000)**

##### **SO 2. Greater Consensus on Democratic Values (\$6,218,000)**

In 1991, the country's lack of experience with democracy, the polarization of society and politics, and lack of confidence in key institutions led USAID to focus its efforts on strengthening democratic values and institutions. For example, for 16 months in 1993-1994, the legislature faced political paralysis and was not functioning. The key position of Controller General was vacant for a period of 15 months. Widespread perception of the judicial system as being slow and unwieldy, ineffective, and fraught with corruption reduced the effectiveness of the law in dealing with political and social conflict. While all armed groups have laid down their arms, there is a continuing level of tension in the countryside and human rights abuses continue to occur.

Activities. Respect for human rights, civic education, strengthening of key governmental institutions, support for decentralization, accountability and transparency in governance are all key elements to a continued open, pluralistic and functioning democracy. USAID programs have provided assistance to the National Assembly, helped train approximately 3,000 judicial system personnel, instituted a massive civic education program to increase awareness of the rights and responsibilities of citizenship, supported decentralization of authority to municipalities and are helping to establish an integrated financial management system for the GON to prevent misuse of government resources. Finally, USAID's electoral support project will work with the Supreme Electoral Council to upgrade the civil registry, assist in the voter registration process, train poll workers and poll watchers, and provide international observers for the 1996 national elections. USAID has also done much through PVO projects and Organization of American States Commission for Support and Verification (OAS/CIAV) to reintegrate former combatants into the productive economy.

Indicators. Indicators to measure progress toward this objective include (1) the expansion of the number of teachers trained in civic education methods from 350 in 1993 to 3,000 in 1994; (2) an increase in the number of union members receiving training from 4,660 in 1992 to 12,800 in 1994; and (3) an increase in the population expressing confidence in key institutions, and support for competition between parties.

Feasibility and Cost Effectiveness. Open and transparent governance, strong and functioning governmental institutions, a participative citizenry, and respect for human rights are all key elements of political stability, which leads to economic growth.

Progress in 1993-1994. The legislature is now fully functioning and recent elections for Asamblea leadership were open and fair, as were recent regional elections on the Atlantic Coast. Passage of the military reform law, a new civil code, and constitutional reforms all represent major advances in building political consensus among the major political parties. The judicial system has replaced over 70% of the lay judges and created a judicial school. With USAID assistance, the new judicial school has trained over 2,400 Supreme Court staff, 200 judges, 72 prosecutors, and over 300 administrators, thus improving the functioning of the entire judicial system. A new Controller General has been selected and is establishing an open and transparent financial management system with assistance from USAID, the Interamerican Development Bank (IDB) and the International Bank for Reconstruction and Development (IBRD). Despite weak performance by the GON in prosecuting civil rights cases, due to the International Commission of Support and Verification of the Organization of American States (CIAV/OAS) and local human rights organizations, as well as continued U.S. pressure, the number of

human rights abuses has declined. A civic education curriculum has been established in the secondary school system of Nicaragua with USAID support, training approximately 1,100 teachers.

Donor Coordination. Related activities by the World Bank include a reform of the state program and the Inter-American Development Bank is also providing assistance to the legislature. The United States has sponsored a donor conference and is working closely with other donors to prepare for the upcoming 1996 national elections.

Constraints. Political polarization is still evident and the plurality of parties makes consensus difficult.

#### PROTECTING THE ENVIRONMENT (\$5,073,000)

##### SO 3. Increased use of environmentally sound productive and extractive practices (\$5,073,000).

Nicaragua's high population growth rate is putting pressure on developing new land for settlement and exacerbating the need to extract natural resources. Damage to the resource base caused by inappropriate production and extractive techniques threatens long-term improvement in the quality of life for the people of Nicaragua. Loss of forests and other ecosystems and animal species is occurring at an alarming rate. Of the 8 million hectares of forests which existed in 1950, less than half remain in 1994. This translates into a deforestation rate of over 100,000 hectares per year and, left unchecked, means virtual elimination of certain types of forests in 15 years. Nicaragua also has some of the worst environmental pollution problems in the region. Both Lake Managua and Nicaragua are seriously polluted due to run-off from agricultural pesticide use and industrial waste.

Activities USAID is actively involved in reforestation efforts and supported the development of a tropical forest action plan and an environmental action plan, which include management plans for watersheds, critical habitats and other fragile areas. Through a natural resource management project, conservation and management of the Miskito Cays protected area is well underway. The Nature Conservancy, with USAID funding, is developing an integrated, community based management plan for the Bosawas protected area. USAID will expand its efforts at environmental education to increase public awareness of practices that reduce environmental contamination, contribute to sustainable agriculture, and protect biodiversity by reducing demands for fuelwood that create deforestation. USAID is helping develop environmental legislation, relating to environmental impact review of investment, protected areas, forestry management and fisheries.

Related Activities. Under the private agricultural services project, the integrated pest management program has reached 2,200 farmers with training and information related to proper use and application of pesticides. Over 1,800 farmers have been trained under USAID's projects with PVO's in sustainable agricultural practices. Recognizing that rapid population growth exacerbates environmental degradation, the USAID is expanding its family planning programs through the Ministry of Health (MINSA) and the local International Planned Parenthood affiliate, PROFAMILIA.

Indicators. Indicators used to measure progress toward this objective are (1) a reduction in pesticide applications on key crops; (2) a reduction in deforestation; and (3) an increase in hectares under effective natural resource management increased from 310,000 in 1993 to 500,000 in 1998.

Feasibility and Cost Effectiveness. The GON elevated the Natural Resources Management Institute to a ministerial level, and brought in a new, results-oriented Minister. Management and conservation of protected areas, such as the Bosawas, which is the largest intact, lowland rainforest north of the Amazon Basin, and the Miskito Cays, the most pristine reserve of undisturbed Caribbean coastal and marine habitat, have taken high priority for the new ministry.

Progress in 1993-1994. Pesticide applications of cotton have been cut more than 50% from an annual average of 30 applications in 1990 to 14 in 1993. New forestry legislation is being drafted to improve

management of timber resources. The deforestation rate has slowed and over 310,000 hectares of protected areas are under effective management.

Donor Coordination. USAID was a co-founder, in conjunction with the Swedish and German development agencies of the donor coordination group for natural resources management, which meets regularly to review progress in the sector.

Constraints. Continuing high population growth rates leading to deforestation for fuelwood and clearing of land for new settlements and inappropriate extraction of natural resources, including minerals, fisheries, and lumber, could mitigate GON efforts to preserve the natural resources Nicaragua possesses.

Taken together these objectives represent a coordinated and effective assistance program which is helping Nicaragua make its transition and consolidate its democratic and market economic gains.

#### Other Donor Resource Flows.

In FY 1993, the United States provided about 10% of the total top five donor assistance to Nicaragua. Other major donors are: Japan, Sweden, Germany and the Netherlands.

#### NICARAGUA FY 1996 PROGRAM SUMMARY

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Total
STRATEGIC OBJECTIVES					
1. Increased Economic Access and Opportunity Improved Market Efficiency and Performance	10,960,000				10,960,000
2. Greater Consensus on Democratic Values				6,218,000	6,218,000
3. Increased Use of Environmentally Sound Productive and Extractive Practices			5,073,000		5,073,000
4. Improved Quality and Efficiency of Basic Education	5,297,000				5,297,000
5. Improved Maternal and Child Health	4,059,000	5,627,000			9,686,000
	20,316,000	5,627,000	5,073,000	6,218,000	37,234,000

USAID Mission Director: George Carner

## PANAMA

FY 1996 Development Assistance Fund Request: ..... \$6,285,000

The principal justification for our assistance to Panama remains the implementation of the Panama Canal Treaties of 1977. The complete turnover to Panama of the Canal, all of the Canal properties and operations, and all of the U.S. military installations in Panama occurs on December 31, 1999. Assistance to Panama is of vital national interest to the U.S. because (1) of its strategic geographic location -- a substantial volume of U.S. trade passes through the Canal; (2) a stable and democratic Panama is essential to the successful implementation of the treaties and for the continued efficient operation of the Canal and the reverted territories; (3) deforestation and overdevelopment could threaten the fresh water resources upon which operation of the Canal depends; and (4) a strong Panamanian economy provides an excellent regional marketplace for U.S. goods and services.

Our programs' strategic objectives (SOs) focus on (a) building and strengthening nascent democracy - building on the free and democratic elections of May 1994; (b) achieving broad based growth to ensure a strong and stable Panamanian economy -- trade has increased steadily from \$1,401 million in 1989 to \$2,695 million in 1993; and (c) protecting Panama's natural resources -- a long term strategy for the Canal watershed is in its final stages of preparation. We have developed a carefully targeted assistance program which focusses on strengthening selected institutions which are important to establishing and maintaining political and economic stability.

#### The Development Challenge.

Panama is now emerging from more than 20 years of military rule. During much of that time, and particularly under the brutal dictatorship of Manuel Antonio Noriega, corrupt officials looted the national treasury, stripped much of the national forest, destroyed the judiciary, stifled dissent, riddled the country with informers, terrorized and in some cases murdered opponents, and left themselves free to traffic internationally in narcotics, arms and illegal immigration. At the end of that period, the economy had virtually collapsed. There was no national budget process, no systematic tax administration, no control of public finances and no functioning audit system anywhere in government. There was scant respect for fundamental human rights or the administration of justice.

In the five years following the U.S. military intervention under Operation Just Cause, United States Agency for International Development (USAID) has worked with democratically elected Panamanian leaders to build competent civilian government institutions, to encourage citizen participation in government, develop effective financial management, to reform economic policies, and to protect the natural resources of the Panama Canal watershed. The overarching objective has been to help Panama prepare itself for operation of the Canal and reverted territories in the year 2000 and beyond.

As a result, Panama has restored basic democracy. International observers termed Panama's 1994 national elections the cleanest observed in Central America. Panama also has begun to rebuild its independent judiciary, to install effective government budget and accounting systems, to eliminate government controls over a free press, to strengthen the legislative assembly, and to improve the administration of justice. Economic reforms have resulted in an annual growth in gross domestic product (GDP) averaging 7% from 1990 to 1993. Panama has developed, with USAID assistance, a strategic plan to prepare itself for the transfer of the Panama Canal.

However, all of these gains remain fragile in a country with one of the worst distributions of income in Latin America, where unemployment rates exceed 13% and where rural to urban migration threatens to undermine the democratic process and overwhelm environmental sanitation. An even greater threat is posed by international drug trafficking, money laundering and illegal immigration--all of which retain a firm foothold.

**Strategic Objectives (SOs).**

USAID is pursuing three strategic objectives in Panama that are designed to establish a stable democratic environment in the post 2000 era. USAID's Panama program also includes support for family planning because population growth is a cross-cutting issue which affects achievement of all three objectives.

**BUILDING DEMOCRACY (\$3,109,000).**

**SO 1. Competent civilian government institutions and greater citizen participation (\$4,683,000 of which \$1,574,000 is for Economic Growth and \$3,109,000 for Building Democracy).**

Long-term political stability requires democratic institutions and an informed electorate which has confidence in public sector financial management and administration of justice. USAID programs focus on these factors.

**Activities.** The USAID program has been focused at the national level and is beginning to address the grass-roots level. At the national level, the program is establishing a new standardized system for managing criminal cases. It is helping integrate the daily work of prosecutors with that of police investigators, in order to reduce the number of criminal cases which the courts either throw out or return for time-consuming corrections. The program provides specialized training for prosecutors, judges and public defenders as well as for court staff and officials of the Public Ministry. Program activities are helping establish within the Government of Panama (GOP) an integrated financial management system comprised of four sub-systems: (1) A budget sub-system which produces an effective standardized financial plan that facilitates the efficient allocation of resources and control over the expenditure of government funds; (2) An accounting sub-system which classifies, records and analyzes all government financial transactions; (3) A debt sub-system that manages acquisition, servicing and retirement of the public debt; and, (4) A treasury sub-system which manages the cash assets of the government by projecting and monitoring cash flows, receipt and control of revenues and processing of disbursements.

Further, the program is helping to establish a comprehensive audit system to ensure fair, objective, reliable and independent review of government performance and financial reporting.

At the grass-roots level, USAID will work with Panama's newly elected mayors to develop a system of democratic, local government institutions and processes that are responsive to citizen needs. Activities will focus on reforms to the municipal legal framework, extension of municipal services, strengthened municipal administration and improved municipal creditworthiness. In addition, work with Panamanian nongovernmental organizations (NGOs) will improve civic education and participation in the democratic process. Public legal education will emphasize the rights of women and children and other disadvantaged groups.

**Indicators.** The following indicators measure progress in achievement of this objective: (1) Increased public confidence in the justice system; (2) Reduced time taken for criminal assault cases to move to resolution; (3) Increased percentage of court and Public Ministry employees hired through open competition with the use of standardized criteria; (4) Establishment of an integrated financial management system in the public sector; (5) Increased municipal revenues; (6) Increased user satisfaction with municipal services; and (7) Increased citizen knowledge of legal rights.

**Feasibility and Cost-effectiveness.** The free, democratic elections of May 1994 strengthened the basis for democratic development in Panama. As the world's oldest democracy, the United States has a comparative advantage in assisting Panama in this area. No achievements could be more fundamental than those of transparent and integrated financial management systems which provide a uniform system for planning, allocating, managing, and auditing GOP financial resources; equitable

administration of justice; and responsive and efficient local government and full citizen awareness of basic rights.

Progress in 1993-1994. USAID assistance to the GOP's electoral tribunal and other groups was essential to the successful conduct of the 1994 national elections which attracted 71% of eligible voters, double the percentage who participated in a November 1992 national referendum on constitutional reform. Public confidence in the electoral system rose from 32% in 1992 to 75% in 1994. International observers proclaimed the elections free and fair. All candidates accepted the results. USAID assistance helped initiate a competitive selection process for court officials which was fully in place by 1994. In 1990, there were no civil service regulations in place, and court employees were hired and fired at the whim of high government officials. Finally, as a result of USAID assistance, all GOP agencies submitted 1994 and 1995 budgets under uniform rules and formats, following Government targets. All ministries and agencies prepared 1994 financial statements under uniform accounting standards. This has improved the GOP's allocation and control of its budgetary resources.

Donor Coordination. The Inter-American Development Bank (IDB) has signed with the GOP a \$750 million loan program for 1995 - 1999. Proposed sectors of activity include "modernization of the state," and support for social investment, urban and rural infrastructure and agricultural modernization. USAID and the IDB meet once a month to systematically coordinate activities of mutual interest and to share information. Informal contact at the staff level is on a daily basis. For example, the IDB plans to provide a \$52 million loan to assist the GOP Ministry of Health in modernizing its administration. USAID is coordinating with the Bank and the Ministry of Health to assist in the implementation of integrated financial management systems and in development of procurement manuals.

Constraints. Many officials of the newly elected national government as well as newly elected mayors of municipalities are without recent government experience. Over centralization of decision making impedes rapid reform efforts and blocks devolution of tax and other authorities to the local level. Drug trafficking and money laundering play on patterns of public and private sector corruption which linger from the long years of military rule.

#### ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$2,074,000).

##### SO 2. Improved economic policies and business climate (\$500,000).

Smooth transfer of the Panama Canal to Panamanian control on December 31, 1999, and continued reliable and efficient operation of the Canal beyond that date are in the interests of the United States, Panama and all the other trading nations of the world.

For Panama, the Canal represents its single most important economic resource, directly accounting for nearly nine percent of gross domestic product (GDP) and generating over 8,000 jobs. Spending from U.S. military bases accounts for an estimated additional four percent of GDP as well as for 5,000 Panamanian jobs. The latter will disappear by the end of 1999. Just as a difficult transfer and unreliable operation of the Canal would negatively affect the Panamanian economy, economic (and resulting political) instability would derail the transfer process and lead to operational decisions contrary to the promotion of world trade. Sustained, broad-based economic growth in Panama is essential to creating economic and political stability. Two decades of inward-looking, statist economic policies have distorted the Panamanian economy and skewed the distribution of income. However, in 1990, Panama began the shift to an outward, market-oriented economic policy. USAID, in conjunction with the IDB, the World Bank and the International Monetary Fund (IMF), will continue to encourage and support this transformation.

Activities. USAID will continue to support the GOP in its planning and preparations for the transfer of the Canal and related properties and to provide assistance on development of information systems to manage resources. USAID also will provide technical assistance to help Panama improve its business

climate and attract increased private sector investment. USAID will complete a third cycle of in-country economic training to improve the skills of public sector and university economists.

Indicators. Indicators of progress in achieving this objective are the following: (1) adoption by 1996 of an effective, comprehensive GOP strategy for Canal management and use of reverted areas; (2) implementation of a transition plan for seamless systematic transfer of the Canal; and (3) decrease in Panama's tariff levels and elimination of specific tariffs.

Feasibility and Cost-effectiveness. Funds strategically utilized to facilitate planning and preparation for the transfer of the Canal and reverted areas will promote the productive use of these resources. A strong economic reform program will generate the economic growth needed to offset loss of U.S. military spending. It also will improve business confidence and attract the private sector investment required to effectively develop the reverted areas.

Progress in 1993-1994. Panama established an Interoceanic Regional Authority with special powers and authorities to manage the planning and transfer of reverted properties. During 1994, one major military facility was successfully transferred to the Panamanian authority and use. USAID and other donors are now assisting the GOP to plan the transfer of a much larger set of facilities--that of Fort Amador on the Pacific side of the Isthmus. During 1994, USAID helped the GOP prepare a formal transition plan for the transfer of the Canal. The GOP established another independent Panama Canal Authority that will be in charge of Canal operations, and drafted laws and regulations to govern it.

On the reform side, USAID-assisted efforts have led to: (a) elimination of specific tariffs on 585 customs classifications; and (b) reduction in ad valorem tariff rates on 229 classifications of from 60% to 40% for industrial goods and 90% to 50% for agricultural products. Trade has risen steadily from \$1,401 million in 1989 to \$2,695 million in 1993. USAID also assisted the development of a tourism promotion law and a law establishing a one stop licensing center which significantly reduce the time and expense of starting a business. Eighty-four participants have completed USAID-financed in-country training to upgrade their skills in economics analysis.

Donor Coordination. USAID, the World Bank, the IMF and the IDB have worked closely together since 1990 on technical assistance and compliance related to Panama's economic reform program. The IDB and USAID coordinate efforts regarding land use planning in the reverted areas and hold monthly meetings to coordinate other activities. The IDB is now the leading donor, with \$750 million in financing available to Panama for the period 1994 to 1997.

Constraints. The Interoceanic Regional Authority is experiencing administrative and legal difficulties which limit its effectiveness. These problems must be resolved in order for the Authority to perform its function. Progress on tariff reforms, despite the new government's avowed support for free trade, continues to be slow due to the pressure of powerful interest groups.

In addition USAID assists Panama's economic growth through activities that address competent civilian government institutions and greater citizen participation (\$1,574,000) as discussed above.

#### **PROTECTING THE ENVIRONMENT (\$1,102,000).**

##### **SO 3. Protecting Panama's natural resources (\$1,102,000).**

In 1947, Panama's forest coverage was 70%. By 1986, it had been reduced to 42%. If unchecked, coverage will be reduced to under 30% by the year 2000. Destruction of the forests in the Canal watershed threatens Madden and Gatun Lakes which furnish the fresh water critical to operation of the Canal. The lakes also provide potable water and power generation for the cities of Panama and Colon. In addition, the rain forests of Panama, particularly those of the Darien, are vital reservoirs of biodiversity and form a key link in the Central American biological corridor.

**Activities.** USAID is providing assistance to the GOP's Institute for Renewable Natural Resources in the management and protection of Panama's parks and reserves. These areas cover approximately 14% of Panama's land area. USAID is helping prepare park and watershed management plans, train technical staff, demarcate park boundaries, help construct guard stations for the protection of the parks, and improve Panama's ability to monitor forest resources. An endowment being established with funding from USAID, the GOP and an American private voluntary organization (PVO) will ensure long-term funding for private voluntary and government organizations to support conservation, environmental education and protection activities, particularly in the Canal watershed.

**Indicators.** The following indicators will measure progress in achieving this objective: (1) a decrease in the rate of deforestation from a level of 57,000 hectares per year in 1986 to less than 45,000 hectares per year by 1998; (2) establishment of the conservation endowment and funding of public environmental education and non-government organization (NGO) monitoring activities at an annual level of at least \$1,300,000 by 1998; (3) reforestation of 6,000 hectares of land by 1998; (4) establishment of legal protection for all public lands in the Canal watershed.

**Feasibility and Cost-effectiveness.** Relatively small investments in technical assistance, training and community environmental projects will produce large returns in natural resources protection. Failure to provide this assistance now will endanger future operation of the Canal, with costly ramifications for international commerce. It also risks destruction of areas rich in biodiversity.

**Progress in 1993-1994.** The GOP passed two laws regulating the use of forests and establishing incentives for reforestation. The GOP measured the level of forest cover in 1986, using equipment provided by USAID. It is now calculating 1992 levels. The GOP hired 105 new park rangers to extend the range and frequency of park patrols. USAID helped equip rangers with radios, vehicles and other equipment. The GOP has completed five park action plans and five park management plans. A long-term strategy for protection of the Canal watershed is in the final stages of preparation. The GOP has declared 205,000 hectares of Canal watershed public lands legally protected, and is discussing legal protection for the remaining 40,000 hectares. Establishment of the endowment is expected in January 1995. A local NGO is being staffed and trained in preparation for administering the endowment.

**Donor Coordination.** Other than USAID, Spain is the largest bilateral donor in the area of national park development and planning. The Institute for Renewal Natural Resources coordinates all support complementary to the USAID activities under this strategic objective. USAID and IDB coordinate directly in formal monthly meetings and through daily informal contact. A watershed conservation strategy developed with USAID funding will serve as the basis for development of a long-term plan for Canal and watershed management to be financed by IDB.

**Constraints.** Delay in establishment of the endowment continues to inhibit full program implementation. The lack of stature of the Institute within the GOP could hinder implementation of conservation programs.

#### **Other Donor Resource Flows.**

In 1994, USAID provided approximately 31% of all donor assistance that was disbursed in Panama. The other major donor in 1994 was the United Nations Development Program (UNDP). The IDB has committed \$750 million and will become the major donor in the future. Other donors planning to provide assistance in future years include the World Bank, the IMF the European Community, Spain, Taiwan and Japan.

PANAMA  
FY 1996 PROGRAM SUMMARY

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Total
USAID Strategic Objectives					
1. Competent Civilian Government Institution and Greater Citizen Participation	1,574,000			3,109,000	4,683,000
2. Improved Economic Policies and Business Climate	500,000				500,000
3. Preservation of Natural Resources			1,102,000		1,102,000
<b>TOTAL</b>	<b>2,074,000</b>		<b>1,102,000</b>	<b>3,109,000</b>	<b>6,285,000</b>

USAID Mission Director: David E. Mutchler

## PARAGUAY

FY 1996 Sustainable Development Request: ..... \$ 9,285,000

The consolidation and strengthening of democracy is the United States' over-riding objective in Paraguay. Serious environmental and population problems are also of concern. Strategically located in the heart of South America, Paraguay has 4.6 million people and is one of the poorer countries in the region. With the exception of Haiti, it was the last military-run country in the hemisphere. Since the 1989 coup which toppled a 34 year corrupt dictatorship, Paraguay has restored human rights, passed a new constitution, held free and fair elections, and adopted sound economic policies. But democratic institutions remain fragile, and Paraguay continues to look to the United States for encouragement and assistance. Mismanagement of natural resources and a population growth rate of 3.2% are obstacles in efforts to create employment and provide social services to the people. Paraguay is also a founding member of the Southern Cone Common Market with Brazil, Argentina and Uruguay and is eager to increase trade and investment with the United States.

It is in the interest of the United States to help Paraguay sustain its democratic transition, thereby helping preserve political and economic stability in the region. USAID assistance is helping to modernize the judiciary, the congress and local government. Likewise, modest assistance directed toward rational use of natural resources and increasing voluntary family planning helps advance the United States' worldwide objectives.

#### The Development Challenge.

Paraguay's per capita income of \$1,200 masks a disparity between a wealthy three to five percent and the majority. Its population growth rate is 3.2%, and less than 32% of eligible women have access to family planning. Its maternal mortality is the second largest in the hemisphere, and less than half the population have access to safe drinking water. About 98% of exports are agro-based, and decades of over-dependence on cotton and livestock have taken their toll on the environment. A huge contraband market supports much of the economy. Until the judicial system is modernized, investors will look elsewhere.

In August 1993, Paraguay inaugurated the country's first freely elected civilian president in half a century. Now, an opposition-controlled congress is beginning to collaborate with the executive and judicial branches to modernize the state, reduce corruption and tackle socio-economic and environmental problems. Newly elected governors and mayors face the challenge of participatory government in a country with a history of top-down, single-party governance and corruption. With USAID support, nongovernmental organizations (NGOs) are exerting increased influence in socioeconomic policy and programs that reach the people.

#### Strategic Objectives (SOs).

The goal of the USAID program is increased capacity for sustainable development in a participatory democracy. The program has three strategic objectives and a limited number of supportive cross-cutting activities.

**BUILDING DEMOCRACY . . . . . (\$1,554,000)****SO 1. Strengthened democratic institutions, systems and practices (\$ 1,554,000).**

Consolidating and solidifying the democratic transition is an over-riding U.S. goal and the cornerstone of the USAID program. Since the coup of 1989, Paraguay has enjoyed a free press and active media. Human rights have improved, although some problems persist. A new constitution was promulgated in 1992, and governors and mayors were elected for the first time. The nation's democratic institutions -- the judiciary, the congress, the executive and the non-government organization (NGO) community -- show increasing signs of confidence and maturity but remain fragile and need assistance.

Activities. USAID is moving from "pilot" type activities in judicial reform, modernizing the congress and local governance to longer-range projects, which feature increased NGO and citizen involvement. Lessons learned from pioneering work in financial management and accountability with the Ministry of Health will be replicated with other executive agencies and local government. USAID also plans to support free and fair municipal elections in 1996 through a voter education activity, similar to the 1993 successful media campaign run by a consortium of local NGOs.

Related Activities. USAID will also monitor the limited scope activities of the American Institute for Free Labor Development (AIFLD) in labor management relations, as well as the civic education activities of the Partners of the Americas.

Indicators. USAID indicators for determining progress in achieving this objective are: (1) more citizen participation in the decision-making process ; and (2) stronger judicial systems to support timely and impartial prosecution of cases. USAID is in the process of establishing quantifiable indicators.

Feasibility and Cost-effectiveness. Entrenched interests, including the military, are threatened by the citizenry's increasing demand for honesty and transparency. The United States has been the most active bilateral donor in support of the democratic transition. In FY 1996, USAID plans to invest \$1.5 million in judicial reform, legislative strengthening, and local government. Although it is impossible to derive a cost-benefit ratio, reforming the judicial sector is essential to ensure due process and respect for human rights, public accountability and investor confidence. USAID plans to assist in bringing to fruition the opening of a judicial training school, the establishment of a national law library, passage of a new criminal code and procedures; and administrative improvements in the Supreme Court and lower courts. The Paraguayan Congress welcomes continued USAID support to modernize, provide oversight of the national budget, and deal with a staggering agenda of socio-economic legislation. At the local government level, governors and mayors can absorb effectively USAID technical assistance in mobilizing resources for development.

Progress in 1993-1994. The Human Rights Documentation Center, funded by USAID and the Supreme Court, completed microfilming two tons of secret police documents chronicling a generation of human rights abuses under the previous regime. Open to the public, jurists, historians, and families of victims of murder, torture and imprisonment, the archive has provided evidence in 25 official criminal investigations and has led to several convictions.

With USAID assistance, the Paraguayan Congress has expanded its budget oversight role and is organizing itself to face a complicated agenda of political, economic and social issues.

A stronger consensus has emerged on the key role that the judiciary plays in the democratic transition. USAID and the judiciary have created a permanent Judicial Reform Management Group, which includes judges, prosecutors and support staff working on training, court administration, case-load reduction, alternative dispute resolution, and management information systems.

The Paraguayan Congress passed the Magistrates Law, which establishes an independent body to

accredit and appoint judges and prosecutors. The draft law was produced by a noted Paraguayan jurist under the USAID judicial reform project. Draft legislation, establishing a judicial training school, funded by USAID, was also presented to the Congress.

At the local government level, the nation's first group of elected governors and mayors is lobbying with increased confidence for a mandate which gives them the authority and resources for local development. USAID-sponsored seminars produced a consensus that they must define their agenda, plan and identify resources. Citizen groups are beginning to play a greater role in defining priorities.

With USAID help, the Capitol of Asuncion has taken steps to improve its financial base and create transparent systems of accountability for budget resources, contracting and procurement.

Donor Coordination. The United States has taken the lead in encouraging the donor community to support democracy, especially with the Inter-American Development Bank (IDB). Using studies funded by USAID, the IDB is designing a complementary project to help modernize the judicial and legislative branches, and strengthen local government and electoral systems.

Constraints. Paraguay looks to the United States for help, but USAID staff and budget resources are limited, as is host-country absorptive capacity. The USAID Mission uses U.S., host-country, and third-country sources for technical assistance and training, "stretching" each U.S. taxpayer assistance dollar.

PROTECTING THE ENVIRONMENT . . . . . (\$ 2,758,000).

SO 2. More sustainable management of natural resources (\$ 2,758,000)

Paraguay's biodiversity is at great risk. Intensive, unsustainable exploitation of land, water and wildlife continues. Clearing of forest for agriculture and livestock is the major threat to the survival of characteristic ecosystems. Paraguay has lost more than 50% of its forest cover in the last 40 years, with deforestation reaching 1 million hectares in 1990, alone. Less than 15% of the eastern region where the most valuable tropical forests are located, remains under forest cover. Wood extraction is double the sustainable rate. Only 4.4 % of the country is under some form of environmental protection, and many habitats of ecological significance are not represented. The number of critically endangered species is 25 and continues to climb. Agricultural development continues with little regard for environmentally sound farming and livestock practices, with potentially drastic long-term effects on the economy which relies on the natural resource sector for half the nation's employment and all of its export earnings. The United States, through USAID, is expected to play a key role in increasing local capacity for managing the country's natural resources and protecting the environment.

Activities. USAID supports environmental awareness and education community action plans and environmental legislation through grants to local NGOs, including the Moises Bertoni Foundation and Alter Vida Foundation which conduct seminars, workshops and education campaigns.

Under the Parks-in-Peril program, a coalition of government and private organizations continues to lobby for protection of ecosystems, the creation of more national parks and resources, and the preservation of threatened tropical forest habitat, such as the 62,000 hectare Mbaracayu Nature Reserve in Northeast Paraguay. USAID also intends to undertake a limited activity in pollution control with selected local governments.

Related Activities. USAID-supported activities in local government and legislative strengthening also serve to accomplish environmental objectives. The Bicameral Commission on the Environment of the Paraguayan Congress, for example, has passed several important pieces of legislation with USAID assistance. Local governments are beginning to adopt environmental objectives in their development plans. In 1995, USAID plans to set up an environmental working group under the joint Government of Paraguay (GOP) and USAID judicial reform project, with the objective to prosecute major

environmental crimes.

Indicators. To determine progress toward achieving the strategic objective, USAID has defined two key indicators: (1) an increased percentage of the target population who adopt alternative economic activities; and (2) an increased percentage of protected areas.

Feasibility and Cost-effectiveness. While some environmental activities are targeted geographically, the scope of the strategic objective is nationwide. Efforts to influence policy through environmental education and technical assistance, and its contribution to developing a system for protected areas have nationwide impact. USAID's support for the National Master Plan for Protected Areas has provided a framework for protection of 44 areas, with representatives of all major ecosystems. USAID plans to obligate \$2.5 million in FY 1996 for an expanded environmental awareness and education program through local NGOs, for the inclusion of additional reserves in the Parks-in-Peril program, and for the implementation of community-based, environmental action plans in selected states and municipalities. The cost-benefit ratio of USAID investment is difficult to estimate. However, the eventual value to the country of USAID technical assistance to the Bicameral Commission on Environmental Affairs to complete a modern legislative framework for environmental protection and sustainable development, is considerable.

Progress in 1993-1994. USAID has contributed to a number of achievements in the environment, including the donation of \$500,000 to facilitate the purchase of the 62,000 hectare Mbaracayu Reserve in Eastern Paraguay and its establishment as a national park. USAID supported the development of a nationwide plan for protected areas under the Parks in Peril program. The plan, which identifies 44 existing and proposed protected areas, has been endorsed by the Paraguayan government and hailed as a model for other Latin American countries. Alternative economic activities, including agriculture, are being carried out in buffer zones of the Mbaracayu Reserve by Peace Corps volunteers and by the Moises Bertoni Foundation. USAID-financed awareness programs have targeted government extensionists, school children, religious leaders, teachers, congressional members, and the public. The Attorney General is involved in enforcing environmental laws, and the Public Prosecutor for the Environment has begun to crack down on poaching of wildlife.

Donor Coordination. USAID coordinates very closely with the United Nations, the Inter-American Development Bank (IDB) and Japan in the environment. With USAID encouragement, the IDB has begun the design of major loans in reforestation and agriculture diversification.

Constraints. USAID strategic objective assumes that achieving fully sustainable management of natural resources in Paraguay is not within its direct capacity. USAID expects, however, that it can contribute significantly to Paraguay's efforts within the 5 to 7 year timeframe of the objective. The term "management" in the objective statement encompasses both sustainable use of resources and conservation of biodiversity. Its achievement requires improvements in local institutional capacity in the near-term. Continued policy dialogue will be needed, as will activities to increase citizen awareness of environmental issues.

**STABILIZING POPULATION GROWTH . . . . . (\$ 4,060,000).**

**SO 3. Increased Use of Voluntary Family Planning Services (\$ 4,060,000).**

During the Stroessner dictatorship, the health sector was neglected and politicized. Services deteriorated, particularly family planning and maternal and child health. Today, Paraguay has a 3.2% population growth rate. Although the average number of pregnancies has dropped from 4.99 to 4.86 since 1982, less than one-third of eligible women of reproductive age have access to family planning services. A reduction in infant mortality from 86.4 to 47.1 since 1982 is over-shadowed by Paraguay's maternal mortality rate of 386 per 100,000, one of the highest in Latin America.

**Activities.** The USAID Mission plans several activities in support of national population objectives including expansion of access to services for couples. USAID, the Ministry of Health and local non-governmental organizations will expand the community-based distribution system, introduce reproductive health services for adolescents, and support male clinics for contraceptive services and other reproductive health needs. Additionally, the project will approve the technical and administrative capacity of family planning service providers through training in contraceptive logistics management, observation visits to exemplary family planning programs abroad, and clinical training to improve services for high-risk women.

**Related Activities.** USAID has helped the Ministry of Health improve its financial management and accountability. A computerized budget management information system is now installed in the Ministry and ready for use in other ministries. Over 100 health administrators have been trained in modern methods of management. In FY 1995, USAID will begin a second phase of assistance to improve family health services. Building on the initial work by the Ministry of Health, and in close conjunction with three state governments and Florida International University, the project will design and test new systems of decentralized health service delivery. USAID intends to use a local NGO to help spearhead the new project.

**Indicators.** To measure achievement toward this strategic objective, USAID has two major indicators: (1) increase in couple-years of family planning protection; and (2) increase in contraceptive prevalence.

**Feasibility and Cost-effectiveness.** USAID plans to obligate \$3.5 million for population activities in FY 1996 in support of three program outcomes: (1) expanded access to family planning; (2) strengthened institutional capacity to provide services; and (3) improved capacity for sustainability of services. USAID has funded a modern family planning program through the International Planned Parenthood Federation (IPPF) and other private organizations with the Paraguayan Center for Population Studies, which works closely with the Ministry of Health. USAID also has an ongoing project with the Ministry to improve management skills of health administrators. USAID intends to help the Ministry devolve greater responsibility for family health service programs to the regional and state levels.

**Progress in 1993-1994.** Since the coup in 1989, the Government's population policy has been pragmatic, and USAID has re-initiated active collaboration with the Ministry of Health in population and family planning. In terms of family planning, USAID has been the key donor in helping the Ministry of Health organize for improved service delivery. In 1994, a joint USAID/IPPF team conducted a population sector assessment which lays out a five-year program to help the GOP and private groups provide modern contraceptive methods to all eligible women on a voluntary basis.

**Donor Coordination.** Although USAID coordinates closely with the United Nations Fund for Population Activities (UNFPA) and the Pan American Health Organization (PAHO), the United States remains the largest and most active donor in population and family planning.

**Constraints.** In Paraguay, the process of decentralization is just beginning. The Ministry of Health has operated traditionally in a top-down approach to service delivery. Authority and resources have been centralized, leaving a fraction of the health budget for rural health services. Governors, mayors and local government are now a new factor in the development equation. The experience base is narrow, but there is political will to devolve carefully the direction of health and population services to the local level. The key will be the involvement of local government and citizens groups to ensure maximum participation and transparency in the use of resources.

ENCOURAGING BROAD-BASED ECONOMIC GROWTH.....(\$913,000)

CROSS-CUTTING ACTIVITIES ..... (\$ 913,000)

USAID will pursue a limited number of other activities that encourage economic growth, and which are

consistent with Agency economic growth priorities.

**Participant Training:** The USAID participant training program will continue to send the best and brightest from the public and private sectors for graduate training in economics, public administration and other specialties in the United States and neighboring countries. Since 1992, 17 participants have received graduate degrees at an average cost of \$ 30,000 each.

**Economic Policy Reform:** The Economic Policy project will continue with the Center for Economic Liberty and Social Justice, a local think-tank, which espouses a social market economic model for Paraguay, and which provides non-partisan economic policy advice to the government and private business. The Center is also analyzing the legal impediments to economic growth and other critical sustainable development issues.

**Housing Guaranty (HG):** Working through the cooperative system and a consortium of private banks, the proposed \$10 million HG will help address an unmet demand for 300,000 homes and will generate significant employment within the construction and housing industry.

**Decentralization of Health Services:** Building on the experience of the past three years with the Ministry of Health, and in conjunction with the local government activity, this project will test and implement new methods of health service delivery in selected municipalities.

#### Other Donor Resource Flows

In FY 1994, the United States, through USAID, Peace Corps and the Inter-American Foundation provided about 10% of bilateral assistance to Paraguay. Other donors include: the Inter-American Development Bank (IDB), the World Bank, Japan, Germany, the European Economic Community and Spain.

#### PARAGUAY FY 1996 PROGRAM SUMMARY

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Total
USAID Strategic Objectives					
1. Strengthened Democratic Institutions				1,554,000	1,554,000
2. Improved Management of Natural Resources			2,758,000		2,758,000
3. Increased use of Voluntary Family Planning Services		4,060,000			4,060,000
Cross-cutting Issues: -Economic Policy Reform -Training -Low Income Housing -Decentralized Health Services	913,000				913,000
<b>TOTAL</b>	<b>913,000</b>	<b>4,060,000</b>	<b>2,758,000</b>	<b>1,554,000</b>	<b>9,285,000</b>

USAID Representative: Richard B. Nelson

## PERU

FY 1996 Development Assistance Fund Request: . . . . .	\$ 38,880,000
FY 1996 International Narcotics Control Fund Request: . . . . .	\$ 17,000,000
FY 1996 P.L. 480 Title II Request: . . . . .	\$ 42,997,000

Assistance to Peru through the USAID directly supports United States interests in the region and the achievement of United States sustainable development objectives by countering the threat of the narcotics trade, promoting democracy and civil society, including the protection of basic human rights, expanding microenterprise and small business development, expanding access to and the use of basic health and population services, and protecting the environment. Peru faces significant social and political challenges, despite the optimism generated through recent Government of Peru successes in macroeconomic policy reform and economic stabilization. Income distribution indices in Peru are some of the worst in the world. Underemployment and unemployment affect some 80% of the economically active population, particularly women. Approximately 53% of the 23 million Peruvians are classified as poor, with income levels insufficient to cover a minimum consumption basket of basic food and related commodities. Moreover, the agenda which Peru faces in overcoming the legacy reflected in the seizure of power on April 5, 1992, in bringing about fundamental political reforms, judicial independence and observance of human rights, is a highly complex one. Continued USAID assistance is vital if Peru is to achieve its targets in the areas of strengthening democracy, health and population, and economic growth. Through our efforts in these areas, the people of the United States will have made a direct contribution to the political, economic, and social well being of Peru's poor majority, while simultaneously slowing the rate of immigration and illicit drugs to the United States, creating a stable, democratic society and expanding market for United States goods and services.

#### The Development Challenge.

Geographical barriers, the continuing threat of terrorism, narcotics trafficking, and the effects of previous disastrous economic policies and widespread corruption pose significant challenges to United States and other international donor efforts in assisting Peru to become a modern state. Since 1990, the Peruvian economy has improved dramatically. Hyperinflation, climbing as high as 7,500% in 1990, has been reduced to a current annual rate of between 10% and 15%. Real GDP growth has exceeded expectations, reaching 7% in 1993 and ascending to 12.5% in 1994. Peru's privatization process, among the most successful in the world, has generated revenues in excess of \$3 billion to date, with an additional \$3 billion expected from the sale of remaining state-owned enterprises. The country's privatization program has spurred greater international investment, estimated to have increased by \$4 billion in 1994. The Peruvian stock market is currently the second most profitable in the world. More importantly, Peru has achieved full financial reinsertion with major multilateral lending institutions, resulting in planned commitments from the International Monetary Fund, Inter-American Development Bank and World Bank of approximately \$2.5 billion over the 1994-96 period. The resolve of the Government of Peru to build upon recent successes presents the United States and the international donor community with a historical opportunity to make the investment needed to ensure enduring peace and stability in Peru and the region. Overriding concerns throughout USAID's program are poverty alleviation and the reduction of the grossly uneven distribution of income and wealth which still characterizes the Peruvian economy, consolidation of democracy and institutionalization of reforms carried out to date.

#### Strategic Objectives (SOs).

USAID is currently pursuing three strategic objectives: 1) strengthened democratic institutions that promote popular participation, sustain individual rights and freedoms, and are transparent and responsive to their constituents; 2) broader-based, sustainable economic growth; and 3) improved health of high-risk populations through access to and use of quality, sustainable primary health care,

including increased community involvement. However, USAID's strategic framework is currently being revised to broaden and expand efforts in counternarcotics, improve the food security of the extremely poor and to improve environmental and natural resources management. The proposed changes to USAID's strategic framework also respond to Peru's changing needs and United States opportunities to leverage additional, significant reforms.

**BUILDING DEMOCRACY** (\$9,932,000 of which \$8,896,000 INCF and \$1,036,000 DAF).

**SO 1. Strengthened democratic institutions that promote popular participation, sustain individual rights and freedoms, and are transparent and responsive to their constituents** (\$9,096,000 of which \$200,000 is DAF and 8,896,000 INCF).

A critical element in a functioning democracy is popular participation. Participation in a modern state requires an institutional base and electorate capable of productive dialogue. It also requires an environment that supports public dialogue on a broad range of issues, including human rights and the need for judicial and legislative systems that respect due process and the rule of law. Although these factors need to be further improved upon, the ongoing resolution of the dual problems of narco-terrorism and severe poverty creates a favorable environment for the development of improved channels of communication between government and civil society. USAID will attempt to address several areas of importance through their strategic objective, including: (1) strengthening of democratic systems of governance that empower both Peru's citizenry to express its needs and its government to effectively respond to them; (2) the need to strengthen the administration of justice and the rights of the accused within internationally accepted standards of due process of law; and (3) increasing the institutional capacity of local governments.

Activities. The recently completed administration of justice project has facilitated a variety of major United States Government initiatives, contributing to a more efficient and independent judicial system. Concrete achievements include: the design and pilot testing of a fully automated case tracking system to monitor and expedite the due process of law, the provision of training to assist in the planned transition to a modern accusatorial system, and the design and operation of the new Office of the Court Administrator.

Several projects authorized at the end of FY 1994 will contribute to the achievement of this objective. These include: judicial strengthening (a bridge project) which will finance activities that protect human rights and promote due process protection; participatory democracy, with its three main components - civic awareness, public accountability and electoral systems -- aims to strengthen democratic systems of governance; elections support that will promote fair and transparent national elections scheduled for April 1995; and local government development which, capitalizing on the pilot-work initiated under the Upper Huallaga area development project, will equip selected local governments with the necessary training, technical assistance and financing for community-based activities so that government officials and citizens can successfully affect decentralization.

Through USAID's continuing support of Peru's Center for Education and Information on Drug Abuse Prevention, over 75% of the Peruvian population now wants to eradicate the drug problem. Increased public awareness led to the development of a national plan on drug prevention and control.

Related Activities. The USAID special development activities fund has provided support toward greater popular participation by the traditionally disenfranchised and marginally urban and rural poor. It has provided a vehicle for support to grassroots organizations with an impact beyond its modest \$200,000 per year funding level. Also, the Peruvian peace scholarship program supports this objective by providing training to leaders and potential leaders in various technical and leadership areas. By emphasizing support to the socially and economically disadvantaged, it provides a means to increase the effective participation in civil society of another forgotten segment of the population.

Indicators. USAID indicators for measuring progress towards achieving this objective are: (a) increased popular perception of the effectiveness and independence of the judicial system and (b) increased popular perception of the responsiveness and efficiency of local governments.

Feasibility and Cost-effectiveness. Against the backdrop of multiple models of democracy emerging throughout Latin America, Peru stands out as a difficult case. The early 1980s saw democratic evolutions which since have turned out well for populations from Mexico to Argentina. In Peru, it was characterized by a decade of social and economic disaster. Although the 1992 seizure of power was a temporarily undemocratic solution in response to the total economic and political turmoil. The Government of Peru's attention is now clearly turning to the full restoration of democracy, and USAID and other donor assistance will be targeted to reinforce and sustain this positive trend. USAID's investment of \$4.0 million in FY 1996 will help to promote stronger democratic institutions and secure wider citizen participation in selected public institutions and local and national governance to ensure their openness and transparency, public accountability and responsiveness.

Progress in 1993-1994. Important steps towards a more independent and efficient judicial system have been the establishment of an automated judicial case tracking system and recent creation of the Judicial Academy and the Judicial Council, incorporated into the 1993 Peruvian Constitution. Similarly, activities aimed at building national consensus on key civic issues made possible the inclusion of a statement in the new Constitution which firmly establishes the Government of Peru's commitment to fight illicit trafficking of drugs. Through the Lima Bar Association, USAID implemented a pilot civic education program in marginal urban areas of metropolitan Lima. The program purpose was to stimulate changes in behavior deemed necessary for elevating civic awareness levels among children (K through secondary school) and teachers. In the field of human rights, USAID, through its technical support to the National Registry of Detainees, has made possible the creation of the registry, which now provides public access to the majority of the population living in the province of Lima (approximately 30% of Peru's inhabitants) and its expansion to rural provinces over the next 12 months. Pilot activities developed with rural municipalities have validated the concept that democratic community involvement strengthens confidence in the government and promotes a more efficient use of public resources.

Donor Coordination USAID continues to be the major participant in the activities that support this objective. USAID also has been in the forefront of fomenting donor coordination in the elections area, having sponsored several meetings and informal communications with other donors. Donor coordination in other democracy areas may increase as other donors become more involved in this sector and with the arrival of a World Bank representative.

The World Bank has financed numerous studies and conferences in support of the Ministry of Justice (\$700,000). The IDB, with support from the Japanese Government, has provided technical and computer support to the Peruvian legislature (\$2,800,000). And, the United Nations Development Program has supported the elections system for the last two years with a limited amount of technical assistance (\$200,000).

Constraints. Peru has made considerable progress in combating terrorism and has revitalized the economy through very difficult macroeconomic reforms and austerity measures. It now faces two major problems: the need to strengthen the existing democratic institutional base and build an electorate capable of productive dialogue on key developmental issues. Under this strategic objective, USAID will address the lack of widely held civic values and understanding of political processes required for informed and effective participation in a democracy.

USAID also addresses Peru's efforts in building democracy through activities described in SO2, below.

**ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$21,560,000 of which \$13,456,000 DAF and \$8,104,000 INCF).**

SO 2: Broader-based, sustainable economic growth (\$18,786,000 of which \$12,988,000 supports Encouraging Economic Growth, \$4,962,000 supports Protecting the Environment, and 836,000 for Building Democracy).

Although Peru has initiated steps to enhance economic growth, more needs to be done. Indices of under- and unemployment (80% of the economically active population), severe poverty (53% of the households), and malnutrition (35% of children under five) are still alarmingly high. By increasing agricultural productivity and rural employment through improved production technologies, more efficient marketing mechanisms, and greater support to microenterprises, USAID will have a sizable, direct impact on increasing rural incomes and improving the nutrition of populations in need, while simultaneously enhancing the performance of the other two strategic objectives.

Activities. USAID's support to broad-based, sustainable economic growth follows three mutually reinforcing initiatives: (a) expanded opportunities and participation by low-income groups, especially microentrepreneurs, women and small farmers, in an outward-looking market economy; (b) improved targeting of safety-net programs oriented towards employment and food security; and (c) policy dialogue for improved economic and social policies focused on the rural sector, where the poorest populations live.

A focal point, reinforced by the recent declaration of principles following the December 1994 Summit of the Americas, is the need to broaden and strengthen the counternarcotics effort, recognizing the enormous social cost and negative economic consequences of illicit drugs to society. Peru is the largest world producer of coca leaf, supplying approximately 70% of the leaves required to meet world demand for cocaine. USAID's \$44.0 million alternative development project addresses the problem directly by providing legal income-producing opportunities and basic services for residents of coca-growing and outmigration areas. The goal of USG assistance is to reduce the extent of coca cultivation, thereby reversing the serious economic, political, social and environmental consequences of coca production and trafficking for Peru and reducing the amount of coca leaves available for export to the United States.

USAID's flagship microenterprise and small producers support program is designed to increase the economic participation of the poor and their grassroots organizations in the economy. This program has been enormously successful in identifying products and services with market demand, in establishing business linkages, and in providing technical assistance to improve productivity, thereby increasing incomes and employment.

Both the P.L. 480 programs and the Private Voluntary Organization support project all focus on expanding opportunities and participation of low-income groups in the economy through activities to stimulate income growth and employment opportunities of small farmers and microentrepreneurs, to increase productivity through technology transfer, and to improve marketing in the poorest areas of Peru, including coca-producing and outmigration zones.

Support for improved targeting of safety-net programs occurs primarily through the distribution of P.L. 480 Title II supplementary feeding to nutritionally vulnerable groups, the promotion of integrated interventions to improve primary health services to at-risk families via the PVO support project, and a microenterprise and small producer anti-poverty lending component designed to service the credit needs of poor women.

The policy analysis, planning and implementation project supports a broad agenda of analysis, dialogue and reform of economic development and growth policies with the Government of Peru. The project has undertaken studies resulting in tax simplification procedures, a program to counter tax evasion, and enactment of legislation reducing transaction costs (procedures simplification to register contracts and property titles and microenterprises).

The Title III program has had a direct impact on improved food security through support of agricultural sector policies related to the reduction of import surcharges on agricultural commodities, privatization of agricultural marketing and research and extension, passage of seed and water laws, and greater access by small farmers to rural finance. The FY 1995 sustainable natural resources management project also will sustain policy dialogue related to urgently-needed environmental and natural resource regulations and implementation practices.

**Related Activities.** Other USAID projects such as the employment and natural resource sustainability project, the integrated pest management project, the environmental support project, and the new sustainable natural resource management project contribute to the achievement of this objective by improving the conservation and sustainable use of natural resources essential to broad-based sustainable economic growth. Training conducted in the United States under the Peruvian peace scholarship program exposes microentrepreneurs and young business leaders to new ideas and values, while training provided under the local government development project for municipal government personnel and locally-elected leaders should strengthen their ability to provide more responsive government and improved community infrastructure and service. Mission health projects (child survival, project 2000 and maternal health) also contribute to this objective by promoting decentralized management of health services, income-generation activities to finance maternal health services, and lowering infant mortality rates.

**Indicators.** USAID indicators for measuring progress towards achieving this objective are: (a) gross domestic product per capita, (b) value of consumption of the poorest 40% of the population (as a proxy for income), and (c) reduced coca production in project-assisted areas.

**Feasibility and Cost-effectiveness:** USAID will invest \$30.0 million in the alternative development project. The economic analysis of infrastructure, agroindustry and agricultural activities of the alternative development project all show high, positive internal rates of return. The social benefits of community development actions are also high: it is estimated that the project will benefit some 54,000 people, and that improvements in education quality will benefit 14,000 students, with a per capita investment (per student) of \$14 per year. USAID Development Assistance investment of \$9.8 million in FY 1996, together with additional food assistance and Emergency Support Fund of \$76.2 million, will contribute to expanded economic opportunities for 3.2 million people by: (1) increasing small-scale businesses' and small farmers' access to markets and credit, thereby increasing their sales and incomes; (2) expanding agricultural technology transfer to small farmers through PVOs and non-governmental organizations (NGOs), thereby increasing yields; (3) supporting food assistance and emergency employment programs among the poorest populations, thereby providing the means to meet at least 10% of their basic income requirements; and (4) carrying out policy dialogue with the Government of Peru to reduce marketing constraints, expand rural credit, and to improve technology transfer, thereby improving the competitiveness of small farmers and microentrepreneurs. These areas of concentration are also priority for other international and bilateral donors.

**Progress in FY 1993-1994.** The Government of Peru has successfully carried out major economic structural adjustments which are leading to a rapidly growing economy. The Government is also committed to the eventual elimination of the coca industry as a source of employment and economic growth, as demonstrated by its use of limited police and military resources to combat the illicit production of coca. Moreover, from 1993-1994, the Government of Peru has provided roughly \$120.0 million of its own resources for road maintenance, credit, agricultural technology, and community development in alternative development areas and other jungle areas, with an additional \$60.0 million planned for 1995. Through the Title II programs, USAID has provided food assistance to 2.6 million people, or 20% of Peruvians living below the poverty threshold. Title II food-for-work activities have created jobs for 239,000 temporary workers while simultaneously building basic productive infrastructure for sustainable development to occur. USAID activities emphasize increased income-earning opportunities of low-income groups. USAID-funded training has increased sales of apparel and jewelry microenterprises by \$6.0 million and generated 1,220 new jobs. Recent microenterprise and

small producer intensive courses on improved product design in handicrafts has resulted in significant levels of sample orders from the United States, principally benefiting indigenous populations. USAID assistance has enhanced capital access, management, technical and business skills to 6,000 people, helping them to establish new or maintain existing microenterprises.

Donor Coordination. United States counternarcotics efforts will be an element of more comprehensive multi-donor support. Already, Government of Peru decisive initiatives to deal with Peru's economic, social, security and narcotrafficking problems have facilitated other donors' decision to provide assistance in support of its efforts. Major infrastructure restoration and improvement projects, necessary to facilitate the production and marketing of legal crops, are underway or in the planning stages, with other donor financing. Other donors active in agriculture and natural resource development are Food and Agriculture Organization, Inter-American Development Bank, Interamerican Institute of Agricultural Sciences (IICA), United Nations Development Program, European Union (EU), World Food Programme (WFP), Cartagena Board and bilateral donors such as Canada, Holland, Germany and Japan. The Permanent Committee on Food Assistance, chaired by WFP and composed of representatives from USAID, the EU, Canada, Japan, France, Holland, Italy and Spain, meets monthly to share information on donor food assistance programs and to discuss Peruvian feeding priorities. Frequent working sessions are held with visiting World Bank and IDB project preparation and sectoral analysis missions on subjects dealing with Peruvian agriculture, natural resources and environment, economic growth, and rural finance.

The World Bank is currently implementing a five-year, \$150.0 million project to rehabilitate Peru's road network and a \$150.0 million project to improve and privatize Peru's power-generation system. It plans to approve and implement a \$150.0 million project to improve feeder roads during the 1996-1999 period. USAID will encourage the Government of Peru to include important feeder roads located within the watershed where the alternative development project will be implemented. The Inter-American Development Bank is currently financing similar road projects, and is in the planning stages for a \$50.0 million irrigation project and \$150.0 million transportation sector project, which includes institutional strengthening, road rehabilitation and maintenance and railway privatization and maintenance. The German government has implemented various bilateral, alternative development-related projects and is currently designing a three-year, \$90.0 million alternative development project focussed on rural irrigation. Other donor financing includes unknown amounts from the United Nations Drug Control Program, European Union (EU) member countries, the EU itself, the Chinese government and several NGOs involved in small reforestation projects. Therefore, this objective addresses not only economic growth, but also the environment.

Constraints. The major constraint to achieving this objective is the lack of a Government of Peru medium-term development plan which prioritizes Peruvian public sector investments targeted at the large disenfranchised rural sector of the population. Limited market access, resulting from an inadequate internal road system and the lack of up-to-date market information (especially in the highlands), constrains broader participation in the country's market economy. The lack of a viable rural financial system to fund agricultural and microenterprise activities results in limited income and employment-generation possibilities.

This strategic objective addresses both economic growth and environmental protection.

#### STABILIZING POPULATION GROWTH (\$19,426,000).

**SO 3. Improved health of high-risk populations through access to and use of quality, sustainable primary health care, including increased community involvement (\$27,998,000 of which \$8,572,000 supports encouraging economic growth and \$19,426,000 supports stabilizing population growth).**

The broad-based economic growth described above is inextricably linked with declines in fertility and improvements in health and nutrition. If population growth exceeds gains in economic growth, for

example, per capita income will decline. Also, healthy people can better work to improve the quality of their everyday lives, as well as contribute more forcefully to national development. Conversely, broad-based growth can help income become more evenly distributed, allowing more families to provide for their own health care through the private sector, thus reducing the strain on government services that is characteristic of poor countries.

USAID chose this strategic objective because: targeting high-risk populations, which are principally poor populations, makes actions more cost-effective; primary health care is an umbrella term that features family planning as a prime component, in addition to other basic elements of health and nutrition; and an explicit focus on increased community involvement empowers families to take control of their lives, including the number of children they bear, thereby lowering program costs and ensuring ultimate sustainability of actions.

Although Peru has made advances in fertility decline and in health over recent years, dramatic imbalances exist between income groups and geographic regions. The average number of births per woman, for example, is 6.2 in rural areas, compared with 2.1 for Lima. Accordingly, the USAID strategy is to focus on peri-urban and rural areas, where needs are greatest and where further gains must occur if national fertility rates are to continue to improve.

Similar imbalances exist in mortality rates for infants, children and women. Further, some 37% of children under the age of five suffer from chronic malnutrition or stunting (defined as low height for age). This figure has not improved over the last decade. In addition, the current major contributor to infant and child mortality is acute respiratory infection. USAID activities target both of these problems.

Activities. In FY 1995 the USAID will start a new project, maternal health in the community. Its purpose is to increase the use of family planning in the rural and peri-urban areas where high fertility has prevailed, despite indications that women wish to limit births. The project, which will operate in six of the poorest regions that the USAID has defined as high priority, will empower women to identify and mobilize resources to address their health. While the program works with the nongovernmental sector to promote demand and offer community-level services, Project 2000 supports the Ministry of Health's service delivery network, to which many women should be referred for clinic-based family planning methods.

Further reductions in fertility will be obtained through USAID's continued support to population projects currently being implemented through the commercial and non-profit sectors. The commercial family planning project increases access to family planning information and methods through such commercial channels as pharmacies and generates demand for all services through information campaigns. The private voluntary family planning service extension project provides services through five indigenous private and voluntary organizations.

USAID is targeting its health and nutrition activities on maternal and perinatal mortality, acute respiratory infections, chronic malnutrition, and more efficient management of public sector health activities. This is being done through the health and child survival components of Project 2000, which builds on the gains in vaccine-preventable and diarrheal diseases of a previous project to focus on the current threats to maternal and child health, as well as to undertake critically needed reforms in management and financing in the public health sector. Again, the activities are in the regions that USAID has defined as high priority, and in full consideration of the areas of action of other donors.

Finally, the strengthening health institutions project supports the establishment of self-sustaining, private sector, primary health services in three poor areas, as a model for later integration by the public sector. The model includes provision of care by existing nongovernmental organizations and the establishment of a chain of centers to be operated by communities.

Related Activities. The achievement of this strategic objective is likewise furthered through USAID

activities that address nutrition rehabilitation. Principally, these are food programs that are funded under Title II of P.L. 480. In addition to providing needed food to address short-term needs, these programs seek to identify at-risk children before they become seriously malnourished and also encourage families to use basic primary health care services, such as family planning, immunization, oral rehydration therapy and breastfeeding, as a way of both controlling and preventing malnutrition.

Indicators. The chief indicators of progress toward achievement of this strategic objective are: (1) the total fertility rate, which refers to the average number of births per woman at one point in time; (2) the infant (1-12 months) mortality rate and the child (1-5 years) mortality rate, which refer to the number of deaths in each age category per 1,000 infants or children; and (3) the chronic malnutrition (stunting) rate, which expresses height for age and reflects long-term malnutrition that results from nutritional insults in the first months and years of life. Chronically malnourished children turn into short adults and can suffer other developmental effects. Other important indicators are the perinatal mortality rate, which refers to infant deaths within the first month of life, and the maternal mortality rate, which refers to deaths to women during pregnancy, childbirth or the post-partum period, per 100,000 live births.

Feasibility and Cost-effectiveness. These activities have been shown to be both feasible and cost-effective in developing countries: family planning, immunizations, breastfeeding promotion, oral rehydration therapy, prenatal care and similar primary health care interventions. Numerous studies by USAID, the World Bank, United Nations Children's Fund, the Rockefeller Foundation and other development organizations that define policies and strategies have identified key primary health care interventions as the most cost-effective ways to reduce fertility, mortality and morbidity in USAID-assisted countries. USAID's FY 1996 investment of \$18.0 million in the population sector will be more than offset by savings to the Government of Peru in terms of decreased calls on resources for education and health care and a greater ability to generate employment for its population.

Progress in 1993-94. Infant and child mortality have decreased substantially during the past decade, as has fertility. Activities supported by the USAID during 1993-1994 have supported that trend. For example, immunization coverage, perhaps the single most cost-effective measure against infant and child mortality, reached over 85% in 1993 and 1994. In August 1994, Peru was declared polio-free, enabling the Americas to be the first polio-free region in the world. Adequate clinical treatment and the use of oral rehydration therapy contributed to an extremely low fatality rate (hovering under 1%) in the cholera epidemic over the past three years. The downward trend in fertility continues to be supported by extensive training programs, technical assistance and the provision of family planning commodities. Ninety-six% of married women aged 15-49 know about modern contraception, 83% of them have used a method at least once, and contraception use has increased to 59%.

Donor Coordination. USAID coordinates actively with other donors. To facilitate daily coordination, project staff from the three large health and population projects (USAID, World Bank, IDB) are all housed in the same quarters at the Ministry of Health. Secondly, the World Bank and the IDB are charter members of an Inter-Agency Coordinating Committee established and supported by USAID and chaired by the Minister of Health. This coordination has resulted in a geographic division of labor between USAID and the World Bank, as well as some modifications in programming that avoid any possible duplications and promote synergistic effects. Other donors becoming more active in Peru are the United Kingdom, the Japanese Government and the Ford Foundation; USAID coordinates actively with all of them. On a technical level, USAID also coordinates with the Pan American Health Organization and UNICEF, which implement activities in population and health, particularly child survival.

USAID was the major donor in the population and health field during 1987-1993, a time when the multilateral banks withdrew from Peru. USAID is still far and away the leading donor in population. United Nations Population Fund (UNFPA), the other donor in population, has a modest portfolio valued at \$3 million. The World Bank and the Inter-American Development Bank are currently financing health

projects that have recently begun implementation; including counterpart contributions, these projects are valued at some \$140 million. The entire USAID portfolio described above has a value of some \$96 million.

Constraints. Inadequate services and infrastructure, insufficient and often delayed Health Ministry budget allocations, and frequent changes in decision-makers because of turnover in political appointments can all delay project implementation and impede the sustainability of project activities. Also, while there have been no direct effects on family planning services of the International Conference on Population and Development in 1994, the incumbent party and presidential candidate in the forthcoming national elections have not taken advantage of opportunities, both those supported by the USAID and others, to declare publicly positions on population and family planning.

#### PROMOTING HUMANITARIAN ASSISTANCE

USAID activities supporting humanitarian assistance are integrated into SO2 and SO3 as discussed in the corresponding sections above.

Other Donor Resources. In FY 1993, the United States provided 14% of the top five other donor assistance level. German and Japanese assistance accounted for about 50% of that amount.

PERU  
FY 1998 PROGRAM SUMMARY

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democrec y	Providing Humaniterian Assistance	Total
USAID Strategic Objectives						
<b>1. Strengthened Democratic Institutions</b>						
Dev. Assistance Fund				200,000		200,000
International Narcotics Control Fund				8,898,000		8,898,000
<b>2. Broader-Based, Sustainable Economic Growth</b>						
Dev. Assistance Fund	4,884,000		4,962,000	836,000		10,882,000
International Narcotics Control Fund	8,104,000					8,104,000
<b>3. Improved Health of High- Risk Populations</b>						
Dev. Assistance Fund	8,572,000	19,428,000				27,998,000
<b>Cross-cutting Issues</b>						
PL 480 Title II					42,997,000	42,997,000
<b>Total</b>	<b>21,660,000</b>	<b>19,428,000</b>	<b>4,962,000</b>	<b>8,832,000</b>	<b>42,997,000</b>	<b>98,877,000</b>

USAID Mission Director: George Wachtenheim

## CENTRAL AMERICAN REGIONAL PROGRAMS

FY 1996 Development Assistance Fund Request: . . . . . \$17,870,000

Current conditions in Central America present an extraordinary opportunity for the U.S. Government to support efforts to achieve sustainable development in the entire region. U.S. interests are served by Central America's expanding economic relationship with the United States which eventually should lead to the region's participation in a hemispheric free trade arrangement. Today all the Central American governments have democratically elected presidents. However, the fragility of democratic movements and continuing social and economic inequities are some of the factors which have spurred flows of Central American migrants northward. Pressures to migrate will diminish when the region's nations can offer people improved employment opportunities through increased trade, more equitable societies, and greater citizen participation. Support for Central American efforts to protect the region's natural resource base is not only of U.S. interest, but is a global concern.

**The Development Challenge.**

The Alliance for Sustainable Development, proposed by the Central American presidents and encouraged by President Clinton and Vice President Gore, is the key point of reference for USAID efforts in Central America. The Alliance establishes a framework for creative cooperation and shared responsibility among the Central American countries and their people, and with the international community. The United States became the first partner with the region with the signing of the CONCAUSA (Central America-USA Alliance) declaration at the Miami Summit in December 1994.

To move the region toward a free trade arrangement, further liberalization and integration of trade, fiscal, and monetary policies as well as improved environmental and labor standards for the region are needed. The regionwide environmental decline must be stemmed for the well-being not only for Central America but also for the world. Democracy still must be strengthened in the region by increasing citizen participation in the local decision-making process and devolution of authority to local governments.

**Strategic Objectives (SOs).**

USAID is pursuing three strategic objectives and one target of opportunity in the Central American region where we can have a significant regional impact over and above bilateral initiatives alone.

**ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$7,319,000).**

**SO 1. Increased Central American participation in the hemispheric economy (\$3,148,000).**

Even with recent gross domestic product (GDP) growth of 3% to 4% annually across the region and an expansion of intra- and extra-regional trade, economic growth in Central America has not been sufficient to assure the social well-being of the majority of Central Americans, an estimated 54% of whom still live in poverty. Increased participation in the hemispheric economy is essential if Central America is to achieve sufficient levels of economic growth and generate sufficient employment to meet the needs of its population.

Activities. USAID supports activities that lead to greater regional preparedness for free trade negotiations and to increased regional economic integration. Policy reform activities are geared to improving the overall trade policy environment and establishing a complementary regional policy framework through upward harmonization of policies and more effective policy implementation. Areas targeted for reform include intellectual property rights, dispute resolution procedures, treatment of investment, labor rights and non-tariff barriers. Information dissemination activities are focused on

creating a regional consensus for change and supporting regional dialogue on key free trade reforms through seminars, periodic publications and in-depth analysis of policy issues.

**Related Activities.** Bilateral USAID trade and economic policy reform efforts strengthen and complement activities under this objective. On a regional level, USAID's efforts to achieve environmentally sound natural resource management through the development of a regional policy framework also assist the region to prepare for free trade agreement negotiations and to establish the guidelines for sustainable resource use that are necessary for sustainable economic growth.

**Indicators.** USAID preliminary indicators for measuring achievement of this objective are: (1) increase in Central American trade as a percentage of total intra-hemispheric trade; and (2) increase in two-way trade with the United States.

**Feasibility and Cost-effectiveness.** Improvements in the policy environment and in policy implementation will provide the framework and enhanced institutional capacity required for sustainable regional economic growth. To ensure that policy changes are actually implemented, USAID is only targeting policies for which there is a clear regional commitment to move forward with reform. Past USAID experience demonstrates that success in this area is dependent upon close contact with the public and private sector, an ability to gauge commitment to reform and an assurance that the regional policy initiatives being supported are complementary and mutually-reinforcing to national-level reform efforts. All Central American governments have expressed their intent to foster freer trade and to prepare themselves for a hemispheric free trade area by 2005. Complementing this hemispheric commitment, the Central American governments have also agreed to move forward on regional economic integration as quickly as possible, since, as a region, they will be more competitive in the global market.

**Progress in 1993-1994.** USAID-supported policy reforms contributed to a more open trade environment and greater access to regional markets. This was demonstrated by an 18% increase in intra-regional trade in 1993, now totaling \$1.2 billion, and growing trade with the United States, the region's most important trading partner, which reached \$10.4 billion in 1993. To expand the technical capacity in the region, a network of private sector committees to analyze and establish positions on key issues related to free trade agreement accession (including labor standards, environmental protection, intellectual property rights, treatment of investment and rule of origin) was created. In preparation for an increased emphasis on regional economic integration, USAID supported the creation of a data-base cataloging presidential and ministerial level commitments in this area and their current status. In 1994, four of the six Central American countries approved the Central American Convention on Industrial Property, which increases regional trademark protection. Model regional agreements on rules of origin, unfair trading practices and dispute settlement procedures also were developed.

**Donor Coordination.** The two other major donors who have worked in this area are the United Nations and the InterAmerican Development Bank (IDB). Although neither has a current project, USAID continues to coordinate with both donors to leverage resources and ensure complementary objectives in the design of new initiatives.

**Constraints.** A weak regional institutional framework, lack of sufficient resources and the difficulties inherent in working with six countries often with different agendas and levels of development constrain rapid progress in this area. However, with the renewed Central American commitment to establishing a free trade area in the hemisphere by 2005 and the accompanying increased attention on regional trade issues and regional institutions, these difficulties should be diminished.

Moreover, USAID will also address economic growth through activities to control the spread of HIV/AIDS (\$4,171,000) in the Central American Region. This is discussed in more detail as a cross-cutting issue, below.

**PROTECTING THE ENVIRONMENT (\$5,927,000).****SO 2. Environmentally Sound Management of Natural Resources (\$5,927,000).**

In the management of its natural resource base, Central America is at a critical juncture between irreversible depletion and an opportunity to slow down resource degradation. Despite encouraging signs, including improved public awareness of environmental issues, increased donor attention and development of best management practices, overall environmental trends--such as loss of forested lands and pollution of coastal marine sources--continue to worsen. However, the first steps toward creation of both legal and administrative mechanisms to promote region-wide collaboration in biodiversity conservation and harmonization of environmental laws have already been taken by Central American leaders through the signing of an Alliance for Sustainable Development for Central America.

Activities. USAID currently works in partnership with Central American and U.S. institutions, to understand and reverse the serious deterioration of the natural resource base in the isthmus. The USAID regional office will work with USAID bilateral missions and regional institutions, national and local governments, international and local non-governmental organizations (NGOs) to establish a regional system of Central American protected areas and to develop a regionally harmonized framework for environmental legislation. The activities will complement bilateral USAID activities to field test and synthesize policy alternatives and methods of regional application.

Related Activities. USAID's regional environmental program is closely coordinated with its trade integration and local governance objectives, especially as they relate to urban pollution, pollution abatement, empowerment of local communities to manage their resources, and regionwide standardization and complementarity of laws and regulations.

Indicators. The indicators for measuring achievement of this objective include a reduction in deforestation and pollution trends, an increase in the number of protected areas applying internationally recognized park management standards, and the establishment of a harmonized set of environmental laws and regulations throughout the region.

Feasibility and Cost effectiveness. USAID will support natural resource management activities that demonstrate significant economies of scale, where lessons are learned and shared throughout the region. Models for delivering environmental services, information and new technologies will be tested and developed. The benefits of resource conservation and pollution prevention and abatement, as well as their positive impact on public health and sustainable income generation, will serve society immediately and in the longterm.

Progress in 1993-1994. Accomplishments under the environmental objective include: the incorporation on 14,700 farms of multi-use trees, reducing the need to harvest trees from protected areas; the widespread adoption of watershed and buffer zone management practices; increased compliance on the part of Central American non-traditional agricultural exporters with U.S. pesticide regulations; the initial adoption of integrated pest management techniques and resultant positive economic impact; increased farmer awareness of pesticide usage issues; 4,200 health care practitioners trained in treatment of pesticide poisoning; effective management plans advanced in national parks in Belize, Costa Rica, Guatemala and Honduras; and cooperative efforts between Belize, Guatemala and Mexico to protect the fragile forests and ecosystems of the Maya Biosphere region.

Donor Coordination. USAID is working closely with the Swedish Embassy in Guatemala City to coordinate current and potential future assistance to the Central American Development Commission. The IDB is considering a possible \$25 million environmental loan for the region which provides an opportunity to closely support and complement the environmental protection activities of USAID's regional strategy. USAID will continue to advocate the biological corridor concept promoted by the regional strategy, coupled with the promotion of a participatory process for environmental decision-

making, has the potential to provide the conceptual framework for linking and leveraging other donors' environmental programs in the region.

Constraints. Several obstacles to the achievement of this objective continue to exist in Central America, including political instability, continuing population growth, and migrations to cities and agricultural frontiers. Migration to the urban centers exacerbates pollution of all kinds at an accelerating rate, while migration to the remaining agricultural frontiers places in immediate jeopardy the establishment and maintenance of conservation areas, as well as the rational orderly use of existing available resources.

#### **BUILDING DEMOCRACY (\$1,865,000).**

##### **SO 3: More effective and democratic local governance (\$1,865,000).**

During the late 1980s and early 1990s, a trend towards decentralization emerged in Central America, and the region's leaders began to acknowledge the importance of political, administrative, and fiscal empowerment of local governments as a vital instrument in effectively delivering services to citizens and consolidating democracy. USAID is directly promoting and supporting this trend by facilitating the formulation and implementation of a regional policy reform agenda to enable the region's municipal sector to generate the political consensus to transfer authority and control over financial and human resources from central to local governments.

Activities. USAID assists the Central American Federation of Municipalities (FEMICA) to carry forward a regional policy reform agenda to generate the political will and consensus in the region on key decentralization issues, processes, policies, priorities and problems to demonstrate effectively how autonomous local governments can be responsive to citizen needs. Based on identification of constraints to decentralization and local government autonomy, specific problem-solving activities that promote replicability are carried out in one or more countries. With supplementary Housing Guaranty (HG) resources, the Central American Bank for Economic Integration (CABEL) is developing a market-based credit facility to strengthen the financial independence of local governments by encouraging private and public financial intermediaries to lend to local governments for environmentally sound urban infrastructure projects, such as water, sewage and solid waste.

Related Activities. Since local governance and decentralization are cross-cutting concerns, pilot activities such as the devolution of education and water services to municipalities are having an important spread effect on administrative structures and delivery mechanism for such areas and sectors as education, health, and the environment.

Indicators. USAID performance indicators for measuring progress toward achieving this strategic objective are: (1) the cumulative number of countries with local governments empowered through the passage of decentralization legislation that devolves political, administrative and fiscal authorities to municipalities; and (2) the percentage of citizens in the region participating in the local government affairs as measured by omnibus opinion polls and analyses.

Feasibility and Cost-effectiveness. As democracies have returned to Central America and the direct election of mayors are becoming commonplace, local governments are slowly developing a political constituency among a diverse range of political parties that is conducive to policy and structural reform in this area. With issues of decentralization and local governance an important focus of the larger Central American integration process, USAID-financed interventions aimed at strengthening the combined efforts of the region's municipal sector to promote policy and structural change are well-received and cost-effective.

Progress in 1993-1994. A policy and program agenda, developed by FEMICA on decentralization and local government strengthening, was adopted and ratified by Central American regional institutions,

municipal associations, political party representatives, legislators, central government agencies, NGOs, and donors in 1994. Implementation of the policy and program agenda has begun in Guatemala, El Salvador, Nicaragua and Costa Rica. Through effective lobbying efforts, property tax legislation was recently passed in Guatemala and is under consideration in El Salvador and Nicaragua. Due to the efforts of FEMICA and the Municipal Association in Costa Rica, a complete overhaul of the municipal sector is being proposed by a legislative commission. Nicaragua is pilot testing the devolution of primary and secondary education to the municipal level, and El Salvador is pilot testing the devolution of the national water authority to six municipalities in the formerly conflictive zones. Finally, the regional credit facility in CABEL is now being marketed to local lenders and municipalities to finance infrastructure investments.

Donor Coordination. USAID jointly sponsored an Interamerican Mayors Conference with the World Bank, IDB, and the Organization of American States (OAS) in November 1994. As a result of the meeting, the multilateral donors came to a common understanding of the types of policy issues that need to be addressed in effectively empowering local governments to be responsive to their constituents in Central America. Simultaneously, USAID is coordinating with bilateral donors such as the Spanish, Germans and French in addressing technical assistance and training needs of specific municipalities in the region.

Constraints. The primary constraints hindering the accomplishment of this strategic objective have been the centralized government tradition and the lack of sufficient and timely resources to maintain the momentum generated by the Central Americans in defining and promoting an effective policy and program agenda pushing decentralization and local governance issues in favor of consolidating democracy in the region.

#### CROSS-CUTTING ISSUES (\$6,930,000).

Control the Spread of HIV/AIDS in Central America (\$6,930,000 of which \$4,171,000 is for Economic growth and \$2,759,000 is for Stabilizing Population Growth).

The HIV/AIDS epidemic has become well established in Central America, with both the heterosexual population and vertical transmission (from mother to unborn or newborn child) increasing since 1987. This is in part due to Central America's long history of migration which has increased in recent years due to the demand for seasonal labor, regional economic integration, civil unrest, open border policies and improved transportation routes. The HIV/AIDS epidemic now poses a serious threat to the future political, economic and social development of Central America. Economically productive young adults are hardest hit by HIV/AIDS. The areas most likely to be affected by HIV/AIDS in the future include worker productivity, medical care costs and the size of the work force.

Reversing the trends in AIDS infection in Central America depends on educating and mobilizing political and public health forces to recognize the severity and complicated social and clinical nature of the disease. Based on worldwide experience, a three-pronged approach of policy awareness and public education, social marketing and NGO strengthening, is the most promising strategy to slowing the pace of the epidemic. The regional niche for providing assistance in this area will focus on specific sub-regional commonalities and cross-border transmission. By mobilizing Central American resources and providing technical assistance to enhance the quality and coverage of prevention services, USAID regional HIV/AIDS activities will make a significant and sustainable contribution to controlling the epidemic.

#### Other Donor Resource Flows.

The other major donors providing support to the region are the United Nations agencies, the European Union, and the Inter-American Development Bank. The Central American Economic Cooperation Plan

of the UN, funded at \$114.3 million for the 1994-1996 period, is the largest single program directed towards the region as a whole. USAID assistance implemented under the Central American Programs portfolio totaled \$15.3 million in FY 1993 and \$7.2 million in FY 1994.

**CENTRAL AMERICAN PROGRAMS  
FY 1996 PROGRAM SUMMARY**

	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment	Building Democracy	Total
<b>USAID Strategic Objectives</b>					
1. Increased Central American Participation in the Hemispheric Economy	3,148,000				3,148,000
2. Environmentally Sound Natural Resource Management			5,927,000		5,927,000
3. More Effective and Democratic Local Governance				1,865,000	1,865,000
<b>Cross-Cutting Issues</b>					
HIV/AIDS	4,171,000	2,759,000			6,930,000
<b>Total</b>	<b>7,319,000</b>	<b>2,759,000</b>	<b>5,927,000</b>	<b>1,865,000</b>	<b>17,870,000</b>

USAID Mission Director: William Stecy Rhodes

## LAC REGIONAL PROGRAM

FY 1996 Development Assistance Fund Request.....\$ 33,260,000  
 FY 1996 Economic Support Fund Request.....\$ 27,550,000

The stability and prosperity of the Western Hemisphere remain fundamental U.S. interests in the post-Cold War period. The Latin America and Caribbean (LAC) regional program supports the Agency's and primary goals of encouraging broad-based economic growth, building democracy, protecting the environment, and stabilizing population and improving health, as well as addressing cross-cutting development issues. The LAC regional program contributes significantly to specific U.S. Government foreign policy objectives in the region pertaining to trade, democracy and human rights, environment and population. The regional program supports various initiatives adopted by 34 countries including the United States at the 1994 Summit of the Americas. Three new projects being initiated late in FY 1995 in educational policy reform, networking of Hemispheric nongovernmental organizations (NGOs) working in civil society and civic education, and increasing equitable access to basic health services are in direct response to the Summit initiatives and should begin to make significant progress during FY 1996 in advancing U.S. objectives in the region. A fourth project supports Summit initiatives by advancing Hemispheric economic integration and trade liberalization.

#### The Development Challenge.

The regional program complements other USAID and donor assistance seeking to strengthen political, economic and social changes taking place in the region. LAC's regional activities provide rigorous analytical support for USAID strategic planning, policy development, program design, implementation and evaluation. In addition, the LAC regional program implements a carefully selected portfolio of uniquely regional or Hemispheric development initiatives which cannot be effectively managed on a bilateral basis such as activities which address transnational problems and support regional institutions. LAC's regional activities encourage participation of, and seek to ensure benefit to all, citizens of the region, particularly indigenous groups and the poorest strata of the population.

#### Strategic Objectives (SOS).

**ENCOURAGING BROAD-BASED ECONOMIC GROWTH** (\$ 20,921,000, of which \$18,657,000 is DAF and \$2,500,000 is ESF).

Broad-based economic growth based on open markets accessible to and benefiting all segments of society is key to achieving sustainable development. Expansion of open markets and increased access by small entrepreneurs and agricultural producers to those markets are major goals of the regional program in 1996.

Ensuring access to effective basic health and family planning services aimed at bringing these services to the vast majority of populations is a major focus of the LAC Bureau's program. Efforts are aimed at ensuring that quality health services are provided in a sustainable and equitable manner.

The regional program also promotes broad-based economic growth by supporting, with other donors, efforts to influence improvement in education systems in the region through policy reform.

#### SO 1. Advanced Hemispheric economic integration and trade liberalization (\$ 2,500,000 ESF).

Thirty four elected heads of State at the Summit of the Americas recognized that "free trade and increased economic integration are key factors for raising standards of living, improving the working conditions of people...and better protecting the environment," and resolved to construct a Free Trade Area of the Americas (FTAA) by the year 2005 achieving concrete progress toward attainment of that objective by the end of the century. Despite consensus on broad steps to be taken to open markets,

smaller countries are not able to design and implement the necessary reforms without technical assistance. USAID, in coordination with other U.S. Government agencies, is providing assistance to smaller countries in the region to ensure full Hemispheric participation.

**Activities.** The regional program supports economic integration and trade liberalization through the free trade expansion project, which assists countries and the region in four program areas: (1) developing and implementing trade agreements for FTAA accession, (2) developing and liberalizing Hemispheric capital markets for investments, (3) expanding trade-enhancing infrastructure systems, and (4) supporting trade enhancing cooperation in science and technology.

**Indicators.** The following indicators will measure progress in achieving this objective: (1) adoption and enforcement of standards regulating trade, (2) modifications of financial instruments, (3) Hemispheric-wide coverage of basic trade-enhancing systems, and (4) research program funding for trade-enhancing activities.

**Feasibility and Cost-effectiveness.** Trade liberalization reforms depend upon political will to overcome short-term negative adjustments that face management and labor in uncompetitive industries. As USAID essentially plays a program-coordinating role and its activities are implemented through other U.S. Government agencies and NGOs responsible for advancing trade interests, USAID activities will be cost-effective.

**Progress in 1993-1994.** The new free trade expansion project will begin in late FY 1995. The project will track progress on the plan of action approved at the Summit of the Americas.

**Donor Coordination.** Project activities will be implemented in coordination with the programs of other donors, including the multinational banks and the Canadian International Development Agency, and with international and regional organizations, including the Organization of American States (OAS) and InterAmerican Institute for Cooperation in Agriculture.

**Constraints.** Trade liberalization exposes numerous industries as uncompetitive, and both management and labor could try to counter or slow efforts to open markets in selected countries.

SO 2. Increased small entrepreneur and producer access to expanding Hemispheric markets (\$4,540,000).

A second necessary condition to broad-based economic growth is full participation by all segments of society, particularly small entrepreneurs and agricultural producers. Equitable access to markets has been denied in the past and requires special action to ensure access to expanding factor and product markets.

**Activities.** The regional program supports increased access to markets by the poor through the sustainable microfinance, agricultural and natural resource management technical services, and poverty alleviation through land access projects. The projects provide or otherwise support (1) financial services for small entrepreneurs and small nontraditional agricultural export (NTAE) producers, (2) private property rights for small NTAE producers, and (3) NTAE production and market-access information systems. As Hemispheric market integration proceeds, attention will be directed to improving the education and health of the increasingly mobile Hemispheric labor force, to ensure sustained productivity, link wages with productivity gains, and advance labor standards and workers' rights.

**Indicators.** Indicators to measure progress in achieving this objective are: (1) increased flow of commercial capital to specialized financial institutions, (2) increased numbers of clear titles to small landowners, and (3) increased market share of NTAE exports by small producers' associations.

**Feasibility and Cost-effectiveness.** Evaluations have demonstrated that microenterprises, small businesses and small agricultural producers are competitive and can pay commercial interest rates, wages and rents on land. The problem facing small producers historically has been the relatively higher transaction costs for public and private firms doing business with smaller firms, with the result that resources were allocated by the market to larger producers and firms. The regional program will focus on those activities which, by virtue of technological progress (telecommunications, computerized banking, Global Positioning Systems/Geographic Information System based surveying and mapping, computerized parcel-based property registration), transaction costs can be reduced significantly, resulting in fully commercial market access by smaller firms which is not only feasible and more cost-effective but more environmentally sound.

**Progress in 1993-1994.** The strategy for making markets work for the rural poor was developed under the regional program and approved in late 1994. Most activities, therefore, are just being designed and starting implementation.

**Donor Coordination.** Activities are selected to test and demonstrate commercial viability and, as a consequence replication of successful activities will be primarily through private sector expansion. However, when replication is partially dependent upon concessional loan funds, coordination with the Inter-American Development Bank (IDB) and World Bank (IBRD) will be initiated.

**Constraints.** An economically viable and aggressive small firm sector in certain industries in certain countries will be viewed legitimately as a threat to the status quo. It may be expected that progress in some activities will be compromised for non-economic reasons. Assuming the underlying competitive advantage is with smaller firms, such constraints will be transitory.

SO 3. Increased use of selected health interventions (\$ 5,452,000 of which \$5,342,000 is Economic Growth and \$110,000 is Population).

Despite the drop in infant mortality in the LAC region, close to 600,000 infants still die each year before their first birthday, most from causes that could be prevented with simple, low-cost technologies. While vaccination coverage levels in LAC are generally excellent, pockets of low coverage and programs that are not yet sustainable exist. The region has recently adopted an ambitious measles-elimination goal. LAC target countries do not dedicate enough resources to controlling diarrheal disease, acute respiratory infections or HIV/AIDS, and the quality and effectiveness of those programs need improvement. There are also currently estimated to have been more than 2 million HIV-infected persons in the LAC region, with the number expected to reach 3 million by the end of the decade.

**Activities.** The regional program will provide technical assistance and training to enable target country programs to strengthen the quality and availability of selected health interventions (diarrheal disease control, acute respiratory infection control, vaccinations, and HIV/AIDS prevention). As a result of project activities, country programs will (1) implement improved norms for service delivery, (2) target resources to sub-national areas where help is needed most, and (3) increase the sustainability of key health services.

**Indicators.** Indicators which measure progress in achieving this objective follow: (1) increased use of appropriate case management of children's diarrheas, acute respiratory infections, and sexually transmitted diseases (STD), (2) increased vaccination coverage with final doses of all antigens, (3) improved knowledge, attitudes and practices concerning sexual transmission of HIV, and (4) increased access to and use of condoms.

**Feasibility and Cost-effectiveness.** The regional program seeks to produce a higher level of political commitment to high priority health programs and larger amounts of national resources dedicated by governments to those programs, particularly directed at increasing quality and impact. USAID resources will be focused on the most effective interventions, and the Agency will work closely with the Pan American Health Organization (PAHO) to influence national governments and other health providers to stress those interventions. Key health interventions selected are among those in the highly cost-effective package outlined by the World Bank in the 1993 World Development Report as a basis for investments in health.

**Progress in 1993 - 1994.** This strategic objective builds on prior success of vaccination programs in the Americas. Coverage with final doses of all vaccinations by age one has reached at least 78% regionwide. As a result of joint efforts with PAHO and other donors, the Americas have been declared free of indigenous transmission of wildpolio virus, and efforts have begun to eliminate measles from the Hemisphere.

**Donor Coordination.** The regional program will be carried out in close collaboration with PAHO and other donors, both regionally and in priority countries.

**Constraints.** The regional program will have to coordinate closely its efforts with other entities that work at different levels in the region, not only with governments but with private voluntary groups and commercial sectors. Implementing organizations also will need to work more closely together. Making this happen is difficult and time-intensive.

The LAC regional program also contributes to stabilizing population growth in the region.

SO 4. Increased equitable access to basic health services (\$ 1,000,000).

Equitable access to basic health services was agreed upon as an objective at the Summit of the Americas. Despite impressive gains in the Hemisphere, limited access to and quality of basic health services have resulted in persistently high child and maternal mortality, particularly among the rural poor and indigenous groups. At the Summit, heads of State endorsed ambitious child and maternal health objectives, including reducing child mortality by one-third and maternal mortality by half (from 1990 levels), a basic package of child and maternal health interventions and actions to develop or update country action plans or programs for reforms to achieve equitable, universal access to the basic package.

**Activities.** Major actions that were agreed to by the governments represented at the Summit were: (1) to endorse a basic package of personal- and public-health services and to develop plans for health reform; and, (2) to strengthen the Inter-American Network on Health Economics and Financing to conduct analyses, training, and technical assistance to support country reform efforts.

**Indicators.** The following indicators measure progress in achieving this objective: (1) increased number of countries adopting a basic package of personal- and public-health services, including child, maternal and reproductive health interventions; (2) increased number of countries that have begun to implement country action plans or programs for health reform; and, (3) increased use of the Inter-American Network for technical assistance and analysis.

**Feasibility and Cost-effectiveness.** All countries in the region have recognized the importance of universal provision of a package of essential health services in a cost-effective way, several have begun to implement such a package and all countries are seeking the opportunity to share their experiences and to learn from other countries. Development of the country plans is feasible in the near term, although complete health sector reform may take years to fully implement. USAID's experience demonstrates that utilizing existing organizations and networks and regular meetings constitute a feasible and cost-effective approach for providing a forum for discussing new ideas, informing decision-

makers, monitoring progress, and determining technical assistance needs. The proposed Inter-American Network activities include identifying and providing needed technical assistance

Progress in 1993-1994. Health reform activities have been under way in the region for several years, and are progressing at the country level with varying success. The Summit served to increase momentum for health reform and the Summit plan of action catalyzed agreement on the next steps.

Donor Coordination. At the regional level, the Inter-American Network receives support from PAHO and the World Bank. USAID, the IDB and other donors intend to support and work closely with them. At the country level, donor coordination is strongly encouraged and, in some countries, works quite well, particularly where USAID supports major health reform activities.

Constraints. As experience in the United States demonstrates, health reform is not an easy process. Special interest groups, the private sector, communities and civil servants all have an interest in the outcome of this process and often lobby to maintain the status quo. Reaching agreement on what should be included in the basic health care package, how services should be delivered and financed, and who should be providing services will be difficult issues on which to reach agreement.

**SO 5. Increased efforts at policy reform to improve access to quality primary education in the region (\$ 1,975,000)**

Large segments of society in the Hemisphere, particularly women, minorities and indigenous groups, have not been equipped to participate fully in economic life. Nearly one-half of the Hemisphere's population lives in ignorance and poverty. The low level of primary school attainment is a major constraint to economic development; no country with low levels of human capital has developed successfully in a self-sustained manner in the latter half of the twentieth century. In some countries in the region, the relatively high levels of spending on education stand in stark contrast to the low levels of educational output, hinting of colossal waste. Education systems are unresponsive to those they should serve and are resistant to change. With modest investments in educational policy reform in LAC countries, USAID can have a direct effect on developing constituencies in the region to support policy reform and on the delivery of quality primary education.

Activities. The USAID's partnership in educational reform project will use policy dialogue to encourage selected governments in the region to make policy changes to improve the quality of primary education. USAID, in cooperation with the U.S. Department of Education, will participate with other donors in supporting a Hemispheric partnership to provide a consultative forum for governments, NGOs, the business community, donors and international organizations to review education policies and to focus resources for reform more effectively. The consultative forum will establish the framework, mechanism and process for sharing educational reform experiences in the Americas, leading to country-level reform in a variety of areas including educational finance, equity, quality, efficiency, education for democracy, work force preparation, and decentralization. In addition, USAID will boost the reform effort and share some of the United States' most innovative programs by introducing a few focused, fast and powerful interventions in the region.

Indicators. The following indicators measure progress in achieving this objective: (1) strengthened capacity in selected private sector, NGO, governmental and community organizations to formulate, conduct, and market educational policy reforms; (2) increased number of educational reforms enacted or implemented in the region; and (3) increased numbers of girls who are primary school completers.

Feasibility and Cost-effectiveness. Considerable evidence suggests that it is only when local policy thinkers, persuaders, and negotiators become intellectually convinced of the merit of an argument that policies change. The essence of USAID's program in the LAC region is to effect policy change through the development of a network of Hemispheric "change agents" who will work to reform their own governments' considerable investments in education. The program is very cost-effective because for

relatively small investments USAID can effect large changes in how national governments invest massive expenditures in education and because those changes will result in dramatic efficiencies and savings.

Progress in 1993-1994. Progress will take place in the 1995-1996 period.

Donor Coordination. Both the World Bank and the IDB have programs which support or are complementary to this strategic objective. Moreover, both banks are interested in co-financing the partnership in educational reform project.

Constraints. Given the dramatic shift in most of the region toward open economies and democratic governance, education reform is an important and current issue on the agenda of most countries in the Hemisphere. Various groups have special interests in this issue and often lobby to maintain the status quo. It will be difficult to reach agreement on what reforms should be made and how they will be financed.

**BUILDING DEMOCRACY** (\$ 32,250,000 of which \$25,050,000 is ESF and \$7,200,000 is DAF).

The 1990s have the potential to be an unparalleled era of democratic consolidation in LAC, but sustained democratic government will be successful only if progress is made across a variety of fronts to ensure greater adherence to the internationally recognized human rights of individuals; an informed practice of citizenship to strengthen civil society; and "good governance," or government institutions that are more transparent, accountable, effective, decentralized and accessible to citizens.

**SO 6. Strengthened regional democracy networks and institutions** (\$ 25,050,000 ESF).

Strengthening regional democracy networks and institutions is key to sustaining democratic government. The LAC regional program supports the establishment and fortification of networks among governmental and NGOs throughout the Hemisphere to share knowledge and best practices about democratic problems and reforms.

Activities. Through the Inter-American Institute for Human Rights (IIDH) and its electoral assistance arm, the Center for Electoral Assistance and Promotion (CAPEL), the regional program supports efforts to enhance awareness of Latin American leaders of the importance of human rights, including economic and social rights and the rights of women and ethnic minorities. The Latin American journalism program improves the professionalism and credibility of the media, a vital institution for any democratic society. The civic education project provides training and technical assistance to local NGOs and selected governmental entities that carry out democracy education activities. Small grants go to grassroots organizations to support networking and mutual assistance at the local, national and international levels. The Partners of the Americas network includes the League of Women Voters and many other affiliated organizations. The LAC regional program also promotes financial accountability and transparency on the part of LAC governments. The regional program collaborates with USAID's Global Bureau on projects to improve labor and labor-management practices, elections, civil-military relations and the administration of justice. Two proposed new activities include support for an association of NGOs working in civil society and establishment of a network of legislatures in the region. The latter will tap a wealth of resources in the United States and bring U.S. concepts, methodologies and experiences to LAC legislators and staff. The program provides support for institutional strengthening and development of various aspects of judicial and police systems in the hemisphere, including in Peru, Mexico and Central America. Finally, the program will provide economic assistance for those nations where it is critical to consolidate democracy, support human rights and promote economic reform and equitable growth.

Indicators. The following indicators measure progress in achieving this objective: (1) increased levels of programmatic, administrative and financial self-sufficiency; (2) increased involvement and legitimacy

of regional organizations; (3) enhanced numbers and quality of national- and local-level governmental entities and NGOs working in judicial and legislative reform, civic education and other sub-sectors of democracy.

**Feasibility and Cost-effectiveness.** USAID continues to support development of centers of technical excellence in the region, such as IIDH and CAPEL, which are able to respond quickly to host country and U.S. Government initiatives in a number of areas. The regional program supports pilot activities to introduce new methodologies, ideas or practices in the region. It is difficult to calculate exact pay-offs from investment in judicial reform or other democracy sub-sectors; however, strengthening democratic institutions and practices is the only way to ensure due process and respect for human rights for all citizens, accountability on the part of public officials, and the confidence necessary for increased trade and investment.

**Progress in 1993-1994.** The IIDH, instrumental in expanding the definition of human rights to include social and economic rights during the 1980s, is now creating a secretariat to coordinate the work of human rights ombudsmen among countries and to promote enabling legislation where it does not yet exist. Electoral tribunals frequently call upon CAPEL, IIDH's political arm to provide non-partisan technical electoral assistance (in 1993-94, to Ecuador, El Salvador, Panama, Paraguay, the Dominican Republic and Mexico). U.S. Government support for elections has led to increased voter confidence in the electoral process.

About 50% of the journalists in Central America have received basic training under the Latin American journalism program. The program is establishing a regional journalism training center in Panama, to be funded in part by Central American media owners who have already committed some \$800,000 of the necessary \$1.5 million required to ensure sustainability of the center. The regional civic education project formed a Hemispheric network of entities engaged in civic education. The regional accountability and financial management improvement project, in its first year, completed five country assessments, instituted the donor working group held two donor consultations and the first key financial managers conference in the region, and provided technical advice to USAID missions and several national governments. Administration of justice projects produced growing interest in alternative dispute resolution, relieving pressure on over-burdened court systems. Conferences on the rule of law cemented a network of justice reformers and resulted in formation of a grouping of chief justices of the Americas. The labor project is promoting recognition of workers' rights and the need to strengthen trade unions.

**Donor Coordination.** Election assistance activities that CAPEL participates in are coordinated with the OAS and other bilateral donors. For the journalism project, close coordination exists among U.S. Government agencies, particularly U.S. Information Agency (USIA). A donor working group coordinates international donor agency activities in government financial management and good governance. Implementors and associates of the regional civic education project regularly meet and exchange information with a wide variety of donors, U.S.-based organizations, host country municipal and national governments, NGOs, and regional groups.

**Constraints.** Considerable time is required in order for organizations to become sustainable, and progress is often slow. Continued commitment to this effort at all levels will be required.

The LAC regional program also contributes to building democracy in the region through training programs discussed below.

#### **PROTECTING THE ENVIRONMENT (\$ 7,200,000)**

The LAC region is unusually rich in internationally renowned natural habitats, rain forests and biological diversity. Forty percent of the globe's tropical species and more than half of the remaining rain forests are found in the LAC region.

**SO 7. Improved protection of selected parks and protected areas (\$ 4,800,000).**

Intact and healthy tropical habitats, and the biodiversity contained within them, provide the population of the region with dependable water resources, fuelwood for cooking, timber, game, fish, fruits, nuts, medicines and revenues from ecotourism. They also provide the global community with the potential for new crops, crop varieties, and plant genes.

**Activities.** To conserve a representative sample of the region's biodiversity, the regional program promotes protection of formerly neglected LAC parks and protected areas. The program's integrated approach - linking park protection, NGO strengthening, sustainability and community participation - has established innovative units of conservation throughout the region that provide replicable, successful examples for NGOs, governments, and multilateral lending institutions. For example, activities to maintain the natural resource base are essential for the economic well-being of marginal rural populations and indigenous groups that depend on forest products, and for urban populations through protection of watersheds. Supporting environmental NGOs contributes to strengthening democracy by increasing local communities' participation in how natural resources, including the local biodiversity, are used.

**Indicators.** The following indicators measure progress in achieving this objective (1) sustainable, non-USAID funding sources for long-term protection of targeted parks and protected areas; (2) strengthened community environmental awareness and participation in park decision-making; (3) strengthened community, NGO and government capacity for long-term management of targeted parks and protected areas; and (4) parks and protected areas receiving adequately trained park guards and park rangers, and having adequate infrastructure.

**Feasibility and Cost-effectiveness.** Current modest investments in 26 protected areas in the region have greatly increased the prospect for long-term sustainability of these biologically rich sites. Support for park infrastructure, park guards, and training immediately diminish large-scale incursions and unsustainable hunting in park sites. Strengthening environmental NGOs increases their national and international visibility and, thus, their ability to raise funds, implement projects, and influence government policy. Improving community environmental awareness and economic gains from park activities greatly increases the likelihood that park sites will be maintained after USAID support ends.

**Progress in 1993-1994.** Examples of recent progress include better protection and management activities at 26 sites, totalling 18.3 million acres; sustainable funding found for five park sites in Bolivia, Panama and Paraguay; enactment of a Paraguayan law adding 25 new protected conservation sites, totalling 2 million hectares; and international recognition via the receipt of the 1994 United Nations Environmental Program's Global 500 Award by two Parks in Peril-supported NGO partners.

**Donor Coordination.** The program is currently leveraging matching funds from U.S. foundations. Once sites are better established, the World Bank Global Environmental Facility and other multilateral bank assistance will likely support park protection and related government infrastructure, especially in Mexico, Ecuador, and Peru. Enterprise for the Americas Initiative funds, the Mexico Nature Conservation Fund and Peru's National Fund for Protected Areas (PROFANANPE) in Peru will likely augment protection activities.

**Constraints.** Future program success may be constrained by political instability in certain countries (e.g., Mexico, Guatemala, Colombia) and rapid rates of deforestation throughout the region.

**SO 8. Increased capability to prevent pollution in key LAC countries, municipalities and industries (\$ 493,000).**

Rapid increases in urbanization and industrialization and their disproportionate impact on the poor are critical concerns in the region.

**Activities.** To reduce urban and industrial pollution in targeted LAC countries, the regional program uses three complementary approaches: (1) strengthening environmental regulations and incentives to reduce urban and industrial pollution and to promote free trade; (2) increasing adoption of clean, U.S.-based technologies and knowledge; and (3) strengthening NGO "watchdog" organizations which ensure government and industrial compliance with environmental frameworks and protect local community interests. The regional program is implemented as part of USAID's Environmental Initiative for the Americas, an Agency response to the Summit of the Americas.

**Indicators.** The following indicators measure progress in achieving this objective: (1) new policies in targeted countries and industries, in harmony with U.S. environmental prevention pollution standards; (2) adoption of clean U.S.-based technologies and methodologies by targeted industries and municipalities; (3) reduction of pollution effluent, particularly hazardous and toxic waste, from targeted municipalities and industries; (4) NGO actions taken against perpetrators for non-compliance with environmental laws and regulations; and (5) stories appearing in communication media on key environmental pollution issues.

**Feasibility and Cost-effectiveness.** USAID experience indicates that the following types of activities are low-cost and effective at reducing pollution: (1) strengthening environmental regulatory agencies to boost host country capacity to monitor environmental pollution to conduct environmental impact assessments; (2) adopting clean industrial production technologies that diminish environmental degradation and promote industrial efficiency; (3) promoting deployment of sanitation infrastructure, technologies and services for potable water, solid and hazardous waste disposal, and low-cost wastewater treatment; and (4) assisting targeted countries to develop human resource capacity for strengthening administrative, legislative and judicial functions essential for effective development, implementation and enforcement of environmental laws and regulations.

**Progress in 1993-1994.** Progress includes (1) hiring two environmental engineers to oversee the design and management of this initiative, (2) support for USAID country missions which are beginning similar activities in the host country, and (3) conceptualization of the new Environmental Initiative for the Americas.

**Donor Coordination.** Both the World Bank and Inter-American Development Bank have large and expanding portfolios in this arena. This new regional program objective is designed specifically to guide and collaborate with these larger multilateral programs by: (1) funding strategies to determine priorities; and (2) providing successful pilot examples for large-scale replication. The regional program will also cooperate with similar ongoing activities promoted by host governments and international donor agencies.

**Constraints.** Success may come slowly as USAID mission and host government experience and expertise in facilitating programs are developed.

The LAC regional program also contributes to protecting the environment in the region through training programs discussed below.

#### **CROSS-SECTORAL ISSUES (\$15,000,000)**

**Training Programs** (\$15,000,000 of which \$5,564,000 is for encouraging broad-based economic growth, \$2,236,000 is for protecting the environment and \$7,200,000 is for building democracy).

**Activities.** The Cooperative Association of States for Scholarships (CASS) project, implemented by Georgetown University since 1989, provides courses of technical study to socioeconomically disadvantaged young leaders from Central American and Caribbean countries, of which almost half are women. Approximately 300 students from 15 countries enroll each year in courses of study at one of 25 state universities or community colleges from Maine to California. Georgetown selects schools

based on the areas of skill training offered. A dozen skill areas are reviewed each year for continued relevance to meeting important human resource shortages in each participating country, and include industrial quality control, computer and medical equipment servicing, ecotourism, small business administration, food science, agribusiness and shrimp aquaculture.

"Experience America" is a substantive component of the CASS project, which assures students spend at least 12 of the 24 months living with local host families near their colleges. They return to their countries with a good command of English, a solid base of technical training, and an understanding of American values such as community-based public participation and problem-solving approaches through teamwork. About 85 % of trainees find jobs within 6 months of returning, although not always within their fields of study. Many start their own micro-enterprises, while about 20% continue their higher education part-time at national universities.

Indicators. Indicators which measure progress achievement include the following: (1) increased human capacity to improve public and private sector productivity in technical skill areas, small-scale management capability and problem-solving approaches to job-related decisions, and; (2) increased exercise of community and office-team leadership techniques in furthering democratic, participatory, pragmatic approaches to local problemsolving.

Feasibility and Cost-effectiveness. The CASS project has produced just under 2,000 trained returnees since its inception in 1989 as a 24-month training program. The program will continue to seek to produce well-trained young leaders from socio-economically disadvantaged sectors of society in high priority areas.

Feasibility and Cost-Effectiveness. This approach to skill development must be compared to alternative approaches involving institutional and policy reforms focusing on the effectiveness of national education and vocational training systems.

Progress in 1993-1994. The process and impact evaluations of the Georgetown University/CASS project, indicate a comparatively effective training program. In some instances there is an inadequate coordination between Georgetown University and USAID missions and insufficient congruence with USAID strategic objectives in fields of study selected. CASS is currently endeavoring to correct these problems.

Donor Coordination. The CASS project originally intended to obtain 50% of scholarship contribution or cost absorption by participating state colleges; this target was reduced to 25% in 1991, and since then has been met or exceeded annually in the aggregate. Contributions take the form of no-cost counselor and administrative services, no-cost housing through host family arrangements and tuition reductions.

LAC REGIONAL PROGRAM  
FY 1996 PROGRAM SUMMARY

	<i>Encouraging Broad-Based Economic Growth</i>	<i>Stabilizing Population Growth</i>	<i>Protecting the Environment</i>	<i>Building Democracy</i>	<i>Total</i>
<i>USAID Objective</i>					
1. Advance Hemispheric Free Trade Economic Support Fund	\$ 2,500,000				\$ 2,500,000
2. Increase Sm. Entrepreneur Dev. Assistance Fund	\$ 4,540,000				\$ 4,540,000
3. Increased Use of Selected Health Interventions Dev. Assistance Fund	\$ 5,342,000	\$ 110,000			\$ 5,452,000
4. Increased Equitable Access to Basic Health Services Dev. Assistance Fund	\$ 1,000,000				\$ 1,000,000
5. Access Quality primary Education Dev. Assistance Fund	\$ 1,975,000				\$ 1,975,000
6. Strengthening Reg'l Democracy Networks Economic Support Fund				\$25,050,000	\$25,050,000
7. Improved Protection of Selected Parks & Protected Access Dev. Assistance Fund			\$ 4,800,000		<u>4,800,000</u>
8. Increased Capacity to Prevent Pollution Dev. Assistance Fund			\$ 493,000		\$ 493,000
9. Cross-Cutting Issues: Training Dev. Assistance Fund	\$ 5,564,000		\$ 2,236,000	\$ 7,200,000	\$15,000,000
Total	\$21,157,000	\$ 110,000	\$ 7,200,000	\$32,250,000	\$80,810,000

Office of Regional Sustainable Development Director: Wayne Nilsestuen

**CENTRAL PROGRAMS**

Sally Shelton  
Assistant Administrator  
Bureau for Global Programs, Field Support and Research

M. Douglas Stafford  
Assistant Administrator  
Bureau for Humanitarian Response

## CENTRAL PROGRAMS

FY 1996 DEVELOPMENT ASSISTANCE REQUEST:	\$451,300,000
FY 1996 DEVELOPMENT FUND FOR AFRICA REQUEST:	\$30,685,000

The central programs of USAID develop new approaches to development, provide technical support to USAID field missions, and respond to a range of natural and man-made disasters on behalf of the United States. The central programs exercise technical leadership within the international development community -- U.S. universities, U.S. private voluntary organizations (PVOs), local nongovernmental organizations (NGOs), international organizations and other donors -- to ensure that donor policies are well coordinated and that the USAID resources are focused in areas of U.S. strategic interests and comparative advantage.

Development assistance is designed to help other nations become sustainable, but is in the self-interest of the people of the United States. Successful development creates new markets for U.S. exports and promotes economic growth in the United States. It improves the public health of other countries which affects the well-being of many countries, including our own. America's poor increasingly benefit from development methods pioneered abroad, such as microenterprise and childhood nutrition interventions. Americans benefit with others from developmental achievements, such as the eradication of smallpox, the elimination of polio from the western hemisphere, the preservation of germ plasm to ensure the survival of the most productive strains of food crops, the reduction of emissions contributing towards global warming, or the improvement of contraceptive technology.

Aside from providing humanitarian assistance, we provide transitional assistance in a few countries to move them from chaos to the possibility of sustainable development.

The central program budget covers funding for programs initiated and managed by the following bureaus: Bureau for Global Programs, Field Support, and Research; Bureau for Humanitarian Response; and Bureau for Policy and Program Coordination. Funding for activities of these bureaus that are requested by USAID missions in direct support of their own programs is included in the budgets of the relevant country programs.

STABILIZING WORLD POPULATION GROWTH AND PROTECTING HUMAN HEALTH (\$284,578,000, of which \$158,378,000 is for Population Growth programs and \$126,200,000 for Health programs).

If population and health problems are ignored, they will ultimately impact on the United States through the unchecked spread of disease, and the evolution of an overall poorer, overcrowded world with severely limited opportunities for everyone.

- At current rates, the world's population will grow by 90 million people per year. The developing world will grow by almost 2%, or about 86 million people; in contrast, the developed world will grow by 0.3% or about 4 million people.
- The infant mortality rate in developing countries is seven times that of developed countries.
- HIV/AIDS, which threatens to reverse hard-won improvements in child survival and lower fertility in many developing countries, has reached epidemic proportions in many of the most densely populated parts of the world.

These problems cannot be isolated in this day of global transit and commerce and under the conditions in which most developing countries find themselves.

USAID has been instrumental in reducing the average family size in developing countries from more than 6 children to just over 4 children per family; lowering infant mortality rates worldwide by 10% in the past 8 years; eradicating polio in the Western Hemisphere; and saving millions of lives through oral rehydration therapy to control acute diarrhea. These successes reflect the leadership of USAID.

Central programs, in collaboration with USAID missions, will focus on four specific areas of accomplishment relating to health, population and nutrition: (1) reduction of unwanted fertility, contributing to a global effort to stabilize world population growth; (2) reduction of maternal mortality rates by half by the year 2000; (3) reduction of child mortality rates by one-third by the year 2000; and (4) reduction of new HIV infection rate by 15% by the year 2000.

Building on USAID's past successes the central programs will continue to develop, test and apply new and improved technologies and approaches to achieve USAID's population and health objectives.

With FY 1996 funding, the central programs will carry out the following activities:

- Test and introduce into immunization programs improved vaccines against acute respiratory infections (pneumonia and meningitis); develop and field test two vaccines against malaria; expand the financial mechanism (revolving fund) permitting more developing countries to procure vaccines with local currency; and develop, test and introduce improved oral rehydration salts (ORS) formulations to save the lives of infants who would otherwise succumb to severe diarrhea;
- Improve knowledge, attitudes, and practices through dissemination of new approaches to promote behavior change, focusing on family planning and the role of men, oral rehydration therapy (ORT), breastfeeding, improved nutrition, and early diagnosis and treatment of acute respiratory infection;
- Develop and introduce innovative means to ensure safe delivery practices and dietary interventions to improve pregnancy outcomes;
- Establish new approaches to increasing the competency of family planning and health service providers, including the development of improved guidelines for clinical training standards;
- Expand the commercial sector's participation in delivering family planning services by working with advertising and marketing agencies to develop new prototypes, and work with contraceptive manufacturers to encourage product donations;
- Improve management capabilities of both health and family planning service delivery organizations, so that they can better meet the needs of clients;
- Complete pre-clinical studies and clinical trials of spermicides and virucides, new female barrier contraceptives, novel non-latex condoms, and long-acting hormonal methods for women and men in order to develop more acceptable contraceptives that also protect against sexually transmitted diseases (STDs);
- Identify improved ways of prevention, diagnosis and treatment of STDs and establish national policies and programs to implement findings;
- Prepare comprehensive regional and country level strategic plans for combatting HIV/AIDS in selected countries based upon the results of clinical, operational and behavioral research on improved approaches to prevent the spread of HIV and to develop additional preventive protocols;

- Identify new methodologies and techniques to help field programs reduce policy, medical and social barriers to the provision of family planning and health services and address the underlying issues of quality assurance; and
- Introduce improved indicators for measuring program impact and performance in family planning and reproductive health, including new survey modules.

#### PROTECTING THE ENVIRONMENT (\$62,675,000).

Environmental degradation poses a growing threat to the physical health and economic and social well-being of people throughout the world. The global environmental challenges of climate change and loss of biodiversity, combined with the consequences of local environmental mismanagement -- such as increasing poverty, social instability and resource-based conflict -- pose real threats to America's own economic and political interests in the 1990s and beyond.

Accelerating losses of highly diverse tropical forests in countries such as Brazil and Indonesia contribute to future likelihood of major climate change with unknown consequences for the United States at home, while the current multi-billion dollar pharmaceutical industry loses potentially valuable biochemical sources, and the United States loses future options in biotechnology industries before they are even fully understood. Ozone layer depletion through the release of airborne contaminants into the atmosphere immediately increases U.S. and other Northern Hemisphere skin cancer risks, while posing potential additional threats in the future that still are not yet fully understood.

USAID programs have been instrumental in providing developing countries with the tools to better manage their natural resources; nearly half of current biodiversity efforts in developing countries are supported or were initiated by USAID. USAID efforts to improve systems for the provision of urban infrastructure and shelter have led to fundamental improvements in over 20 countries and have improved the lives of millions of people. USAID efforts have led to successful privatization efforts in the power sector in many developing countries, opening important new markets for U.S. companies while providing more efficient energy production. For example, between 1988 and 1993 a USAID investment of \$10 million in leadership and technical assistance for promoting the privatization of electric power markets resulted in the installation of 30,000 megawatts of independent power plants in developing countries. U.S. companies captured approximately one-third of this market and realized \$8 billion from this expansion.

Future efforts will focus on seven areas:

- Reversing loss of biodiversity. The world's biodiversity is disappearing at an alarming rate. To check this trend USAID's central programs seek to improve public understanding of biodiversity conservation; to improve biodiversity policies and economic incentives; and to strengthen conservation planning and management. FY 1996 funding will result in: (1) improved public and decision-makers' understanding of biodiversity and its conservation; (2) improved policy and economic incentives for conserving and sustaining biodiversity; directly improved management of biodiversity, with emphasis on habitat, and wildlife aspects, within and outside protected areas; and (3) increased national and international financial and active programming commitments to sustainable biodiversity conservation.
- Environmental policy, economics, and institutions. To promote the conservation, improved management, and sustainable use of natural resources, including soils, forests, biodiversity, water, wetlands, and coastal and aquatic ecosystems, the central programs' use of FY1996 funding will result in: (1) improved policies and strengthened institutional capacity to implement effective strategies, plans and programs; (2) adopted effective natural resource management technologies, techniques and practices; (3) heightened public awareness and

knowledge of environmental issues affecting natural resources; and (4) strengthened local, community-based natural resource management programs and participatory approaches.

- Global climate change. Rapid climate change presents a long-term threat to the global environment. Central programs' use of FY 1996 funding will result in: (1) reduced growth rate of greenhouse gas emissions; (2) increased carbon sinks through maintaining the integrity of existing carbon sinks, especially tropical forests, and creating new sinks; and (3) improved policies and regulatory reform.
- Water resources. Water resource problems are reaching crisis proportions: over one billion people lack access to potable water; unmanaged exploitation of watersheds, lakes, rivers, aquifers, and coastal waters degrade the goods and services these systems provide; and competition for water is a subject of growing disputes around the world. USAID has identified improving the quality and management of water resources as a key objective and are developing an approach to deal with a range of important issues, from urban and industrial water quality management, through water sector planning and institution building, to watershed management, coastal resources management, and protection of aquatic biodiversity. These mechanisms will use FY 1996 funding to address problems of water scarcity, declining water quality, loss of aquatic and marine resources, and inappropriate development in riparian and coastal areas, and to support the International Coral Reef initiative.
- Urban environment. Poorly managed urbanization and industrialization pose enormous environmental problems, especially for the urban poor. Central programs will use FY 1996 funding for improvements in: (1) awareness of urban management and industrial pollution problems; (2) access to environmental infrastructure and services such as potable water; (3) technology cooperation by demonstrating innovative technologies that can both prevent pollution, and make industry more profitable; and (4) access to shelter.
- Sustainable energy use. Energy production and its use are major causes of environmental degradation. Central programs will focus on efforts to develop energy policies and regulations that provide for the market pricing of energy and that foster the transition from state-owned to privately owned energy plants. These efforts are intended to increase energy efficiency and renewable energy use and to support the widespread utilization of environmentally sound energy technologies. FY 1996 funding will be used to: (1) train 300 key senior-level planners, managers, and engineers in American energy and environmental technology and management practices; (2) use technical assistance to attract \$185 million in World Bank, Asian Development Bank, and Inter-American Development Bank investments in U.S. private sector energy-efficiency and renewable energy projects in developing countries; and (3) support policy and regulatory reform efforts aimed at opening up over \$2 billion in private power investments in countries of Asia and Latin America.
- Environmental technology. Environmental technologies, both hardware and software, advance sustainable development goals by addressing pollution prevention, efficient resource use and industrial ecology. Developing countries profit from greater access to and application of environmentally beneficial technologies. At the same time, developing countries represent the fastest growing markets for U.S. suppliers of environmental goods and services. USAID central programs will continue to work closely with the U.S. private sector to support the development and diffusion of appropriate technologies by providing better access to information, building human and institutional capacity, promoting appropriate regulatory incentives, and supporting demonstration projects and innovative financing mechanisms.

## ENCOURAGING BROAD-BASED ECONOMIC GROWTH (\$108,355,000).

USAID's efforts to promote broad-based economic growth have yielded impressive returns. Many of the divisive debates on the best approaches to economic growth are now a thing of the past. There is now a consensus on the policies required for broad-based economic growth. USAID's efforts have contributed considerably to the adoption of economic policy reforms in much of the developing world. Examples of these successful efforts include the Czech Republic, Nicaragua, and Costa Rica:

- The Czech Republic. The USAID Mission in Prague provided essential support to economic policy makers in implementing a whole range of reforms. USAID successfully worked to fill the vacuum in market-place skills in finance, management, and law. USAID technical assistance saved banks from bankruptcy, leveled the playing field for foreign firms to participate in privatization, and provided training to thousands of Czechs and Slovaks in classrooms and on the job. The result has been restitution or privatization of 125,000 firms and residences, a balanced government budget, 10% inflation, and an unemployment rate of 3%-4%.
- Nicaragua. The Sandinistas left their country with hyperinflation, large government deficits, an overvalued exchange rate, and -- as they left office -- enormous wage increases. But USAID's second cash transfer (\$118 million in December 1990) and its third (\$185 million in May 1991) were conditioned on specified economic policy reforms. These reforms were worked out through joint evaluations and decision-making by senior Government policy makers and senior USAID staff. Successful implementation resulted in budget cuts, slower money growth, a market exchange rate, an end to state-owned foreign trade monopolies, the introduction of private banks, privatization of almost half of all state-owned companies, tariff reductions, and a 12% reduction in public employment. The further consequences were a fiscal surplus, a reduction in the rate of inflation from 15,000% in 1990 to under 5% in 1992, a return to positive real interest rates, an end to the foreign-exchange black market, and after seven years of decline, a 2% increase in gross national product (GNP) in 1992.
- Costa Rica. In 1982, Costa Rica defaulted on its foreign debt and dropped into an economic crisis caused largely by misguided statist economic policies. While sustaining genuine political democracy, it had remained a banana and coffee republic, with trade in manufactures confined to the Central American Common Market. Throughout the next decade, USAID mission and central programs were heavily involved in assisting Costa Rican policy reform, using conditioned aid, technical assistance, and continuous on-the-spot support. The result was elimination of most foreign exchange, interest rate, and other price controls; markets opened to international competition; most state-owned enterprises privatized; strengthened environmental protection; the emergence of private banks which financed an export boom; and Costa Rica's ability to "graduate" from USAID assistance in 1996. The human impact can be seen in rising wages and falling poverty.

USAID's investments in economic growth have produced tangible and meaningful results for large segments of poorer populations in the developing world. As a result of direct investments, USAID's assistance has enabled millions of entrepreneurs, many of them women, to start small income-generating businesses.

The Agency's influence on economic growth in the developing nations of the world also can be seen in secondary benefits. USAID's central program investments in agriculture research not only enhance U.S. access to germ plasm on a worldwide basis, but also lay the foundation for the major gains in the productivity of food grains in most developing countries. Similarly, the central program's promotion of integrated pest management practices has substantially reduced the application of environmentally harmful agrochemicals while increasing productivity and post-harvest availabilities - a substantial economic contribution to many marginal economies.

Underlying USAID's emphasis on economic growth is a concern for the impacts on people - especially women, the poor and disadvantaged groups. Future efforts of the central programs, carried out in collaboration with field missions, will focus on those areas where the potential for high impact at the grassroots level has been demonstrated. Assistance will be targeted at the following activities:

- Improved food security and agriculture productivity, particularly through sponsoring agronomic research and strengthening market access and efficiency;
- Expansion of credit facilities and financial services for low-income households and women; and
- Economic policy liberalization, reformation of financial systems, privatization of productive enterprises, and incorporation of U.S. technologies into productive sectors -- all of which are aimed at generating increased employment and income opportunities.

In the area of microenterprise development, the central programs will be responsible for parlaying \$30 million of FY 1996 funding into the equivalent of \$1.2 billion in loans over a ten-year period (i.e., 4 million loans to microentrepreneurs, at an average of \$300 per loan).

Broad-based economic growth of our development partners is clearly in the interest of the United States. More than 30% of all U.S. exports go to the developing world and with trade barriers diminishing in recent years, the potential for U.S. export growth is substantial. USAID assistance to developing countries helps set the stage to achieve market-oriented economies. This achievement has made it possible for many developing countries to participate in and ultimately benefit from the General Agreement of Trade and Tariffs (GATT). The assistance for economic policy reforms, provided through analysis and technical assistance, helps achieve and sustain stable macroeconomic policies, (including fiscal and financial sector reform), and to support liberalization of trade both domestically and internationally, deregulation, and market-oriented pricing practices. The assistance further facilitates the harmonization of policies, especially those related to trade across countries, that will make it possible to implement the GATT agreement and achieve the expected increase in world trade. Prospering developing countries mean stable and profitable markets for U.S. businesses.

#### BUILDING DEMOCRACY (\$26,377,000).

The United States has played an important role in this global democratic revolution with diplomatic and financial assistance. USAID has provided technical assistance for free and open elections in several new democracies and backed programs aimed at improving the decision-making capabilities of democratically elected legislatures. We have collaborated with local organizations to increase government responsiveness and have strengthened local government bodies that have acquired new authorities and responsibilities. In a strictly non-partisan manner, USAID has encouraged the emergence of an independent media, political parties, trade unions and other mechanisms of political expression.

A new role for USAID's central programs is the promotion of democracy and governance by supporting the transition to and consolidation of democratic governments in several developing countries. In FY 1996, central programs will work in collaboration with regional programs or missions to promote:

- rule of law, including human rights and the administration of justice;
- fair elections and participatory political processes;
- civil society, including the existence of private citizens' organizations outside the state; and
- democratic governance, which includes accountability, transparency and decentralization.

Election laws will be changed to make a level playing field for all parties. Poll workers and election officials through training will ensure the integrity of election procedures. The electorate will gain increased knowledge of the democratic political process through civic education programs. The latest techniques in modernization of the judicial system will be introduced, affecting directly the ability of judges, prosecutors and public defenders to improve the administration of justice. To strengthen the private organizations of civil society that underlie democratic societies, NGOs will learn to use modern technology networking approaches that allow them to communicate effectively among themselves, Procurement practices of governments will change as a result of anticorruption efforts on a systematic, organized basis.

USAID mission and regional programs have been successful in supporting crucial elections with these practices in South Africa, El Salvador and Cambodia, among others. The central program will build upon this diverse experience, sharing lessons learned in these countries with missions around the world. The strong support for nongovernmental organizations in South Africa's transition to democracy is an approach that USAID central programs can use in other countries. Improvements in Colombia in the management of the court system represent another tested method that the central programs can apply to new country programs. Law reform efforts in Eastern Europe show the importance of the legal framework to both democracy and free market economies; these approaches can be applied to achieve both objectives in an integrated fashion in other countries as well.

Support for the transition to open and accountable democratic governments in the developing world is in the U.S. national interest. Countries that share our democratic values are much more likely to respect the rights of their citizens and the rule of law in their behavior with other states; they are also more reliable commercial and diplomatic partners in the international arena.

#### CROSS-CUTTING PROGRAMS.

Several centrally managed programs provide cross-sectoral services in furtherance of multiple USAID goals. They provide policy guidance, technical support and related services to USAID missions, support research to meet the needs of developing countries, and provide technical leadership aimed at resolving global problems. Specific emphases include: human capacity development; the role of gender in sustainable development; PVOs and performance monitoring and evaluation.

Developing Human Capacity. USAID central programs provide technical leadership and field support in the improvement of education and training systems. Among the areas of lasting achievement are: leadership in the development of cost-effective instructional technologies, including inter-active radio and the use of distance education technologies; systems approaches to education sector reform, including education management information systems and the systematic use of research to guide instructional improvement and the allocation of resources; development of the analytic and research base for effective advocacy on the importance to sustainable development of education of girls and women; cross-sectoral attention to the developmental needs of the young child; long-term attention to the role of scientific research institutions and universities in generating new knowledge and training the next generations of leadership in all sectors.

In addition, USAID will provide continuing leadership in support of: policy reforms to improve the use of education and training resources, public and private; increased attention to the education of girls and women; community and family support for the young child; development of new partnerships among educators and employers, with more effective strategies for school-to-work transition; the capacity of countries to access and use information, making more effective use of information and telecommunications capacities; and research capacities and international networking for the application to development of relevant scientific research and new technology.

USAID's programs in FY 1996 in the human capacity development area will focus on the following:

- Decentralization of education systems and the improvement of local administrative capacities in at least 10 countries within 5 years;
- New applications of instructional technology, leading to increased student achievement, in at least 10 countries within 5 years;
- 20% reduction in developmental delays in at least 10 countries within 8 years, with consequent improvement in school readiness and achievement;
- Development of national strategies for the improvement of education for girls and women in at least 10 countries within 3 years, with consequent increases in enrollment and completion rates for girls and increases in female adolescent and adult literacy;
- Strengthened school-to-work partnerships with effective strategies for improving school-to-work transition in at least 10 countries within 5 years, with consequent measurable improvement in employer satisfaction with the adequacy of the trained work force within 8 years;
- Institutional and policy changes leading to increased use of appropriate information and communication methods and technologies in at least 8 countries within 8 years;
- Substantive and significant contributions to international linkages in science and technology, including linkages for minority-serving institutions, with consequent contributions to the scholarly capacity of host-country institutions (as measured by the ability of national scholars to participate effectively in international networks) and in contributions to new knowledge (as measured by significant scientific publications); and
- Development of new training strategies for the management of external and national training, with implementation in 20 missions within 2 years, and continued technical support for an estimated 14,000 individuals per year in external training.

Women in Development. FY 1996 funding will be used to strengthen the role of women as both participants in and beneficiaries of sustainable development. Emphasis will be placed on (1) providing technical support for the integration of gender considerations in USAID's policies and programs; and (2) strengthening linkages with bilateral and multilateral donors and nongovernmental organizations regarding women in development. Special activities include: "showcasing" innovative approaches to gender concerns and disseminating lessons learned about effective integration of gender considerations.

Strengthening USAID'S Development Partners. USAID supports activities to strengthen the capacity of private voluntary organizations (PVOs) to work more effectively in priority development areas and in forming collaborative relations with indigenous organizations. USAID support for PVO capacity-building is tailored to meeting the strategic objectives of USAID. Funds are allocated to individual organizations through competitive grants. The major central grants programs are:

- Matching Grants. The program strengthens U.S. PVOs' technical, planning and management capacity to carry out development programs in approved countries, often working in collaboration with local organizations, and PVOs provide 50% of the total funding. ACCION International, for example, has strengthened the capabilities of local organizations in Guatemala, Peru, and the Dominican Republic in microenterprise lending. The focus on microenterprise has resulted in replication of successful cost-recovery models for loan and savings programs for the poor.

- Child Survival. USAID supports PVO activities that help reduce infant mortality and improve child health in priority developing countries. These programs have had measurable impact at the community level in reducing mortality, improving the quality of child survival interventions, and in developing replicable methodologies. For example, through its child survival work in Indonesia, Project Concern International has developed a neonatal tetanus immunization program which has been adopted at the national level, saving lives and accelerating the elimination of neonatal tetanus.
- Cooperative Development. USAID's central programs provide support to U.S. cooperative development organizations, enabling them to assist cooperative movements in developing countries and new democracies. Cooperative development organizations provide help to local counterparts in such areas as institution building, technology transfer, capital formation, infrastructure development, finance, and marketing. For example, U.S. cooperatives have assisted in the creation and strengthening of rural electric systems in the Philippines, Bangladesh, and Bolivia; telephone cooperatives in Poland; and agricultural cooperatives in over 100 countries.
- Development Education. USAID's development education program supports the efforts of U.S. non-profit organizations to educate American citizens about development activities overseas as they relate to U.S. interests in addressing global problems of poverty and hunger. The program has mobilized the resources of over 80 organizations, significantly strengthening their ability to carry out effective educational and informational programs, and creating a cadre of experienced and committed development educators.
- Ocean Freight. USAID provides small grants to over 50 U.S. PVOs each year, including small, newer PVOs, so that they can transport donated developmental and humanitarian commodities, such as medical equipment, pharmaceuticals, and books to developing countries.
- Institutional Support. USAID provides institutional support grants to strengthen the management and technical capacity of the PVOs that implement food assistance programs under the P.L. 480 Title II Food for Peace program. These grants have helped the PVOs to plan programs for greater impact on food security, to initiate food assessments, to develop monitoring and evaluation systems and to improve the technical skills of their staff.

American Schools and Hospitals Abroad. USAID provides grants to overseas schools, libraries and hospital medical education and research centers which are sponsored by U.S. organizations and serve as demonstration centers for American ideas and practices. In FY 1994, the Agency began to reorient the program toward sustainable development priorities. For example, this program contributes directly to the Agency's objectives of promoting democracy by training leaders and policy makers and imparting U.S. values and technology. It also contributes to sustainable development by strengthening the capabilities and improving the quality of services of local medical and educational institutions.

USAID plans a \$15,000,000 ASHA program FY 1996 to continue the program reorientation toward institutional activities that are the most urgent and are consistent with the Agency's sustainable development objective. This compares to a program level of \$20,000,000 in FY 1994 and FY 1995.

Learning from Experience. Central programs will also use FY 1996 funding to maintain leadership in assisting our development partners (both donors and developing countries) to learn from experience. These resources will be used to achieve three objectives:

- Expand knowledge of the performance and impact of USAID's sustainable development and humanitarian assistance programs and of the efficiency of key operating systems. Evaluations are carried out in response to specific issues identified by USAID managers. Recently

completed assessments include microenterprise finance, civil society programs, agribusiness, biodiversity, investments in agriculture, and relationships with PVOs and NGOs.

- Expand analysis and reporting on program performance. By April 1995, all USAID operating units, including field missions and central bureaus, will have strategic plans with performance indicators and targets. An Agency-wide strategic plan also is being developed. With these plans in place, we will be able to conduct more comprehensive analyses of how our programs are performing, in order to learn from our experience and direct program resources to areas and countries where the prospects for success are greatest.
- Provide information on USAID's program performance, development experience, and economic and social data. We will continue to improve our capability to provide timely lessons of experience and economic and social data to Agency managers, policy makers, program planners and our development partners.

**CENTRAL PROGRAMS  
FY 1996 PROGRAM SUMMARY**

Goals => Funding Categories ↓	Encouraging Economic Growth	Stabilizing World Population Growth and Protecting Human Health	Protecting the Environment	Building Democracy	Total by Funding Category
Encouraging Economic Growth	96,585,000*	115,600,000		908,000	213,093,000
Stabilizing Population Growth		158,378,000			158,378,000
Protecting the Environment			61,425,000*		61,425,000
Building Democracy				18,404,000	18,404,000
Development Fund for Africa	11,770,000	10,600,000	1,250,000	7,065,000	30,685,000
<b>Total by Goal</b>	<b>108,355,000</b>	<b>284,578,000</b>	<b>62,675,000</b>	<b>26,377,000</b>	<b>481,985,000</b>

\*Excludes the Housing Guaranty Program, which in FY 1996 is financing \$108 million in urban environmental infrastructure and services and \$33 million in encouraging broad-based economic growth.

## CREDIT PROGRAMS

FY 1996 Guaranty Subsidy Request.....	\$28,760,000
FY 1996 Administrative Expenses.....	\$ 9,740,000

This USAID request to fund FY 1996 credit programs (direct loan and loan guaranty programs) reflects a policy decision to increase use of credit to finance sustainable development programs. This additional credit authority, through the Enhanced Credit Program, will allow USAID missions the flexibility to decide how to best finance specific development activities. It will also allow USAID to leverage its limited resources more effectively. While USAID will remain primarily a grant agency, the policy shift toward expanded credit programs will enhance the ability of the Agency to meet sustainable development objectives by leveraging private sector resources.

The increased emphasis on credit programs will not alter USAID's strategic objectives but merely substitute loans or loan guaranties for more costly grants where (a) credit is the best mechanism by which to further USAID's development goals; and (b) the borrowers are deemed creditworthy. The credit programs detailed below will be operated strictly in accordance with the Credit Reform Act of 1990 ("Truth in Budgeting Act"), first effective in FY 1992.

The United States has a vast pool of experience in property development and homebuilding. USAID promotes the export of homebuilding products and expertise by providing assistance through two of the most important organizations in the U.S. real estate industry, the National Association of Realtors (NAR) and the National Association of Home Builders (NAHB). With USAID funding, the NAR has helped establish real estate professional associations in Eastern Europe and the New Independent States of the former Soviet Union. In addition, the NAR has participated as part of the official U.S. delegation to the United Nations Commission for Human Settlements and has advocated the principles of private home ownership in this forum for more than ten years. Similarly, the Home Builders Institute (HBI), the educational arm of the NAHB, is strengthening the private homebuilding industry in Poland through training, technical assistance, and the creation of a trade association. HBI also facilitates dialogue between Polish and American homebuilders, including the promotion of joint ventures and the use of U.S. building materials in Poland. Over the long term, the Enhanced Credit Program is expected to foster the development of similar relationships for U.S. organizations and associations in sectors other than housing and urban environment. The Micro and Small Enterprise Development (MSED) program, by facilitating the transition of many entrepreneurs from the informal to the formal sector of the economy, will increase the potential size of the commercial market for U.S. business.

## Housing Guaranty Program

FY 1996 Housing Guaranty Program Request:

• Guaranty Subsidy.....	\$16,760,000
• Administrative Expenses.....	\$ 7,240,000

Well over half of the gross domestic product (GDP) in most if not all developing countries comes from their rapidly expanding urban centers. Well managed and environmentally sound urbanization is key to sustainable economic development. The Housing Guaranty (HG) program has been USAID's primary tool for addressing urban development issues, including the financing and management of low-income shelter and environmental services, i.e., potable water, sewerage, water treatment, and solid waste management. The program extends loan guaranties to U.S. private investors who make loans to public and private institutions in developing countries. USAID works with local institutions and communities to design programs that use the loan proceeds to formulate and execute sound and sustainable urban environmental, municipal development, and housing policies. USAID credits are provided to encourage less developed country recipients to make needed and fundamental policy and institutional reforms. The HG program has made it possible for U.S. private investors to provide more than \$2 billion in

financing for capital projects benefiting low-income families in developing countries. At the same time, over the years, the program has introduced developing country borrowers to the U.S. capital markets and has facilitated productive relationships with the U.S. investment community.

The program is active in more than 20 countries and is targeted, as is other USAID assistance, to a mix of low, middle, and transitional income countries. There are multi-year guaranties approved and in implementation in Asia (India, Indonesia, Sri Lanka and Thailand), the Near East (Morocco and Tunisia), Eastern Europe (Poland, Hungary and Czech Republic), Central America, and Southern Africa (South Africa and Zimbabwe). This program has been instrumental in the promotion of private sector financing for urban environmental infrastructure in three countries in Asia. Nowhere in the world is there a greater need for water and sanitation services for poor people than in the burgeoning Asian cities of India, Indonesia, and Thailand. The successful Kampung improvement program in Indonesia will provide sorely needed water and sanitation services and promote the establishment of local municipal bond markets, while building the potential for increased U.S. exports. In South Africa, guaranty subsidy costs of \$4,014,000 will leverage \$75 million in guaranteed loans for low-cost housing, which will be accompanied by another \$150 million in contributions from the private financial sector for the same purpose. This will result in 20,000 low-cost houses benefiting approximately 120,000 poor residents of South Africa's low-income neighborhoods. The program has been particularly effective in providing quick response support for U.S. Government foreign policy interests in such countries as South Africa and Poland.

In FY 1996, these programs will continue along with additional new projects in South Africa. About 70% of the program activities focus on the financing and management of urban environmental infrastructure and services, with the remaining 30% focusing on shelter in South Africa and Hungary.

Housing Guaranty Program, FY 1996

Country	HG Authorization Levels
<u>Asia and Near East</u>	
India	\$ 15,000,000
Indonesia	\$ 19,000,000
Morocco	\$ 10,000,000
Sri Lanka	\$ 4,000,000
Thailand	\$ 20,000,000
Tunisia	\$ 10,000,000
<u>Africa</u>	
South Africa (HG-II)	\$ 23,000,000
South Africa (HG-III)	\$ 20,000,000
<u>Europe and the New Independent States</u>	
Czech Republic	\$ 10,000,000
Hungary	\$ 10,000,000
<b>Total:</b>	<b>\$141,000,000</b>

**Micro and Small Enterprise Development Program****FY 1996 Micro and Small Enterprise Development Program Request:**

• Guaranty Subsidy.....	\$ 1,800,000
• Direct Loan Subsidy.....	\$ 200,000
• Administrative Expenses.....	\$ 500,000

Broad-based, sustainable, economic growth requires an expanding private sector, including a thriving small business sector. The success of micro and small businesses, and their participation in the benefits of economic development, depend, in large part, on their ability to access financing to support viable business ventures. The Micro and Small Enterprise Development (MSED) program, the successor to the Private Sector Investment Program, works with private financial institutions to correct "market imperfections" inhibiting the flow of credit to small businesses in developing nations worldwide. To date, the programs have supported in excess of \$350 million in private sector activities, substantially to support small businesses and, increasingly, microenterprises. Currently, there are 62 projects in Asia, Africa, Latin America and the Caribbean, and the Near East.

The MSED program strives to build sustainable links between financial institutions and micro and small enterprises lacking full access to formal financial markets. This is accomplished by issuing partial guaranties to creditworthy financial institutions in developing countries. The guaranties offer the financial institutions a risk-management tool which they use to lower their collateral requirements and to increase their micro and small lending portfolio. While USAID's other microenterprise programs primarily support nongovernmental organizations and their efforts to provide credit to the smallest borrowers, MSED goes a step further, helping successful small and microenterprises graduate to formal sector financing. For example, because of the MSED program, two participating banks in Sri Lanka have provided loans of up to \$1,000 to thousands of new borrowers who otherwise would not have had access to bank financing.

The MSED program's primary tool is the Loan Portfolio Guaranty (LPG) program, which provides loan guaranties covering up to 50% of the principal loss on a portfolio of small business loans, and up to 70% for micro-loans made by financial institutions. The guaranties are combined with training and technical assistance to improve the ability of banks to assess small and micro business credits, and to assist borrowers in preparing business plans to present to the banks. The program also will use direct loans and guaranties to provide capital for nongovernmental and private voluntary organizations (NGOs and PVOs) engaged in microenterprise lending activities and to create sustainable linkages between those NGOs and PVOs and financial institutions.

The MSED program's performance is to be measured by (1) the increase in micro and small business lending by participating financial institutions; (2) the improved capacity of indigenous financial institutions to engage in micro and small business lending; and (3) the increase in lending to PVOs and NGOs from the formal financial sector.

**Enhanced Credit Program****FY 1996 Enhanced Credit Program Request:**

• Guaranty Subsidy.....	\$ 10,000,000
• Administrative Expenses.....	\$ 2,000,000

The Enhanced Credit Program (ECP) is a proposed new initiative intended to expand the use of market-rate loans and loan guaranties to support USAID's development agenda. The increased use of credit through the ECP will allow USAID to make more rational choices about the appropriate funding tool, i.e., loans, guaranties, or grants, for financing its development activities. It also will allow the Agency

to leverage its resources more effectively. For example, the \$10 million requested for the ECP in FY 1996 is expected to leverage approximately \$70 million in loans and guaranties.

All ECP projects will be consistent with existing USAID strategic objectives, whether in the area of economic growth, the environment, population and nutrition, or democracy. As a financing tool, the ECP will further the goals of mission projects by supporting viable projects with leveraged resources. As a result, the ECP credit authority will serve to enhance the results of existing and proposed USAID programs. For example, contemplated uses for the ECP include:

- Loan guaranty facilities to support the goal of indigenous enterprise development in Africa;
- Bond guaranty facilities to support locally financed water and waste water services to improve health and to protect the environment; and
- Credit facilities to support privately operated and environmentally sound, energy co-generation projects.

In addition to the development-based indicators which must be established for all mission projects, depending on project goals, there are three performance indicators by which all ECP projects would be measured: (1) repayment rates on direct loans, (2) claims against guarantied loans, and (3) satisfactory economic and financial rates of return. The ECP also will be expected to achieve the type of leverage obtained by the Agency's existing credit programs -- approaching 10:1, but no less than 3:1 on any single project.

## INTERNATIONAL DISASTER ASSISTANCE

FY 1996 REQUEST .....\$200,000,000

The International Disaster Assistance program of the United States assists the growing number of persons affected by natural and man-made disasters. The FY 1996 funding request consists of \$200 million for International Disaster Assistance, including \$25 million to support the Transition Initiative which is in its second year. The FY 1996 request also includes funding for assistance to the Kurdish refugees in northern Iraq, funded in prior years through the Defense appropriations. The Administration also is requesting \$796 million for P.L. 480 Title II programs, of which approximately half will be devoted to emergency response.

Demands on U.S. funding for emergency humanitarian assistance continue to increase in the 1990s. The median annual level for international disaster assistance in the 1980s was approximately \$51 million. The average assistance level for the first half of this decade was \$127 million. Similarly, Emergency Title II feeding programs increased from \$386 million in FY 1991 to \$494 million in FY 1994.

The number and intensity of disasters have been rising, and the upward trajectory of humanitarian assistance requirements is projected to continue. Complex emergencies--those involving political and military conflict--are a major contributor to these trends. Although these conflicts change in intensity, their resolution is very difficult, and relief assistance can be necessary to meet emergency needs of civilian populations for long periods. Large populations in Angola, Bosnia, Liberia, Somalia, and Sudan continue to require assistance to survive. Over 50% of assistance to complex emergencies goes to African countries.

Parallel to increases in the number of persons affected by complex emergencies, rapid population growth in many developing countries increases the numbers vulnerable to natural hazards such as earthquakes, hurricanes, tornadoes, and volcanoes. Urban areas are expanding, with unsafe habitation in many shanty areas and slums. Also, people move onto marginally viable and unsafe lands where natural hazards such as hurricanes, earthquakes and volcanoes, and their side effects, such as flooding and lahars, have disastrous human impact.

The goal of USAID humanitarian assistance is to save lives and minimize suffering. However, USAID must also work to prevent these costly crises, and to assist countries to move from crisis to development. Humanitarian assistance programs are increasingly integrated with development programs to support this process.

There are three important principles that guide USAID's humanitarian assistance.

First, emergency response, which aims at saving lives and reducing suffering, can simultaneously assist the return to sustainable development by supporting local capabilities, providing safety nets, and strengthening human capacity. Programs in maternal and child feeding, emergency health care, and shelter provision can each be administered in ways that contribute to the regeneration of communities and to regional stabilization. The provision of agriculture seeds, along with relief food, to disaster victims in farming areas enables these producers to return to self-sufficiency. Medical emergency programs which draw on local medical staff and encourage on-the-job training, when feasible, are more likely to reduce the need for external resources in the future.

A second principle is that prevention and mitigation of the effects of disasters must be built into response programs. Prevention requires strengthening local response capacities. Disaster

preparedness requires careful examination of relief and recovery planning. USAID's field missions play an important role in helping government, municipal, and community leaders to prepare for disasters and to design development projects that fully reflect the risk from disasters.

A third guiding principle is the importance of ensuring that countries make successful transitions out of crises. Countries experiencing a significant political transition, national conflict, or a major national disaster, such as a prolonged drought, may have special needs which are not addressed by traditional disaster response. Nor do these countries generally have the infrastructure that allows the resumption of long-term programs of sustainable development. The Transition Initiative responds to these needs, funding programs, for example, in the re-integration of dislocated populations, including demobilized soldiers, or the retraining of local police to restore security, and the creation and revitalization of political and civic institutions.

Effective humanitarian assistance requires that USAID relief, mitigation, transition and development programs support each other, as described above. USAID does respond effectively. We must also collaborate with the international assistance community; the burden of spiraling costs of relief aid must be shared. U.S. private voluntary organizations (PVOs) play an essential role in raising resources, providing assistance, and implementing programs; USAID has a successful partnership with U.S. PVOs and NGOs. Mechanisms to facilitate the exchange of information among PVOs and the international donors and to prevent duplicative efforts must be supported.

Most importantly, in developing countries, governments, communities, and other institutions must take greater responsibility for identifying vulnerabilities and establishing response systems to reduce these vulnerabilities. Indigenous nongovernmental organization (NGOs) and the local private sector can be critical partners in formulating and implementing participatory, community-level programs for disaster prevention, mitigation, preparedness, relief, rehabilitation, and reconstruction. USAID supports these indigenous solutions to crisis prevention, response, and recovery.

Pursuant to section 493 of the Foreign Assistance Act of 1961, as amended, the President has designated the USAID Administrator as his Special Coordinator for Disaster Assistance. USAID has a well-established management structure and disaster relief expertise, which draw on public and private sector resources to enable a response within 24 to 72 hours after a disaster declaration. USAID field missions and U.S. Government assessment teams identify needs, and USAID provides disaster assistance response teams (DARTs), communication support, search and rescue groups, medical assistance, shelter, food and potable water.

USAID works closely with the Department of State and the Department of Defense to coordinate American relief efforts. For urgent disaster situations, 24-hour coverage is provided by staff to ensure the transmission of accurate information across different agencies, and between the disaster area and important response centers. In larger, critical and complex emergencies, DARTs are dispatched to the field to facilitate communication and to direct the emergency response. Satellite communication equipment augments USAID's ability to carefully target emergency assistance and to coordinate with donors and other USG agencies. Cost-effectiveness and timeliness are important benchmarks of USAID humanitarian assistance.

The complex disaster means prolonged provision of relief assistance to affected populations. Many such emergencies are occurring in sub-Saharan Africa. New strategies have been developed to help begin to restore food security based on self-reliance in these areas. Seeds and simple tools may be supplied to initiate this move away from dependency on relief supplies. Interventions which encourage local participation and contributions from able-bodied persons are designed and implemented. The Greater Horn of Africa is a particularly disaster-prone area, drawing over 50% of the emergency funds to Africa. The United States has focused on this region with an initiative which includes collaboration with other donors and African leaders and institutions to head off

skyrocketing humanitarian needs. Humanitarian assistance strategies, in collaboration with development strategies, will contribute to crisis prevention in the Greater Horn of Africa.

The increase in complex and prolonged disasters has led to other strategy changes in humanitarian assistance. The Transition Initiative has provided a mechanism to rapidly assess and address short-term political and economic needs in the important recovery stage. Key areas for the Transition Initiative include the demobilization and reintegration of soldiers, electoral preparations and governance, and civil infrastructure, including local security. The transition program in Haiti promotes stability through demobilization, emphasizing skills development for ex-military personnel, and through efforts to create and strengthen civil governance structures. Demobilization is also an important element of the transition program in Angola where militarization continues to represent a threat to a stable recovery. And in the former Yugoslavia, a transition program has worked with Muslim and Croat communities to reduce ethnic conflict through the joint participation of various ethnic groups in economic enterprises. These interventions are fundamental to the successful recovery of these countries from political and natural crises.

USAID's humanitarian assistance saves lives and reduces suffering. In the long run, however, it is clear that prevention and mitigation of natural and man-made disasters are more cost-effective. Disaster preparedness, mitigation and prevention programs are an important element of effective, sustainable development strategies. Important activities in these areas include drought and famine mitigation programs, conflict mitigation, earthquake risk-management, volcano monitoring and evacuation plans, and training in disaster management. USAID supports these activities in disaster-prone countries where prevention has a high payoff.

## FOOD FOR PEACE

FY 1996 P.L. 480 TITLE II REQUEST . . . . . \$795,703,000  
 FY 1996 P.L. 480 TITLE III REQUEST . . . . . \$ 50,000,000

Since P.L. 480 was enacted in 1954, the Food for Peace program has demonstrated the American people's commitment to combatting world hunger and poverty. America's bounty has saved the lives of millions of people in more than 150 countries and territories. In much of Latin America and parts of Asia, where hunger once dominated daily life, basic food security -- regular access to sufficient food for a healthy and productive life -- has been established, and sustainable development has begun. Now we face a final challenge in the poorest countries of the world, many of which are in Africa.

USAID is responsible for the Title II and Title III programs. Title II food programs can be used either for development or emergency feeding. Title II development programs provide food aid grants which are implemented by private voluntary organizations (PVOs) or the World Food Program (WFP). Title II emergency programs are focused on direct feeding activities to respond to short-term, unanticipated food shortages and may be implemented by PVOs, the WFP or on a government-to-government basis. Title III funds government-to-government grants for development activities. Title III programs normally include policy reform conditions and frequently generate local currencies for development projects.

Title II Emergency and Private Voluntary Organization Assistance Programs

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. In FY 1994, Title II food assistance directly benefited 60 million poor people. Of that number, 24 million were disaster victims and 36 million were beneficiaries of development projects. Most were women and children, the victims of war or drought, or participants in nutrition and health improvement schemes, or in primary education and training programs. The hungry poor who received Title II assistance also included landless agricultural workers, small farmers and the urban poor who live with insufficient food and not enough money to buy the food needed for themselves and their families.

USAID's Title II program is implemented in partnership with U.S. private voluntary organizations (PVOs), international and local nongovernmental organizations (NGOs), such as the International Committee of the Red Cross (ICRC), and United Nations (UN) agencies such as the High Commissioner for Refugees (UNHCR), World Food Program (WFP) and the United Nations Children's Fund (UNICEF). Title II emergency assistance is also provided on a government-to-government basis.

Title II works in the following areas:

-- In crisis, Title II performs the most basic of functions; it saves lives. Drought, flood, and the ever increasing number of disasters caused by ethnic conflict and political strife often lead to life-threatening food needs.

-- Title II school and preschool feeding programs perform more than the obvious task of increasing children's nutritional intake. School enrollment and attendance increase, leading to improved educational benefits. An educated population is less likely, in the long run, to be a poor population.

-- Title II feeding programs at health centers encourage mothers to bring in their children. At these centers, children are immunized and mothers receive training in nutrition, health, family planning, community leadership, and even literacy.

-- In Title II food-for-work efforts, impoverished people are paid in food for their work on projects that will improve their productivity or ability to deliver their produce to markets while increasing economic opportunities for themselves and their neighbors. These projects include farm-to-market roads, water systems for irrigation and consumption, food storage facilities and flood prevention embankments.

The following constitute examples of Title II programs implemented in FY 1994:

-- A food-for-work program in Bangladesh, implemented by CARE, provided food as wages to 525,000 workers (and their dependents) who upgraded roads to improve and speed delivery of their produce to local markets. On food-for-work activities in Bangladesh, one observer remarked: "There was on the one hand...an army of unemployed and on the other a crying need for earthwork. Here was a program to put them together as a key is put into a lock."

-- An emergency program conducted by Catholic Relief Services in Sierra Leone for displaced victims of civil strife; malnutrition dropped from 16% to 11%.

-- In the former Yugoslavia where World Food Program (WFP) began operations in November 1992, Title II resources contributed nearly 200,000 metric tons of emergency assistance this past year, used primarily in feeding an estimated 2.7 million displaced and war-affected people within Bosnia-Herzegovina.

-- In India, where over 70 million children under five are severely malnourished, U.S. PVO and WFP Title II assistance fed nearly 13 million mothers and children in FY 1994, mostly through the national government's Integrated Child Development Services Scheme (ICDS) which involves substantial monetary and personnel support from the host government and is the largest mother-child care program of its kind in the world.

-- In Angola, despite escalations in conflict, numerous suspensions of relief flights, enormous physical and logistical constraints, and non-respect by the warring parties for the provisions of international humanitarian law, WFP and U.S. PVOs consistently strove to deliver food assistance to some 2 million war-affected people. As is often the case, those most needing food assistance were the vulnerable groups in the besieged cities of the central and northern highlands -- the hardest populations to reach.

-- In Ethiopia, where half of the country's 53 million population lives in abject poverty with a per capita gross national product (GNP) of \$120, the third lowest in the world, World Vision has successfully used local currencies generated from sale of Title II commodities to support rehabilitation of farms and increased agricultural productivity, meaning that the partner communities are better able to withstand recurring droughts.

-- In Haiti, the only country classified as least developed in the Latin America and Caribbean region, Title II feeding programs reached nearly one million of the poorest and most vulnerable people on a daily basis, working exclusively through U.S. PVOs, the UN and local NGOs.

-- The horrifying massacres which commenced this past April in Rwanda generated over 4 million refugees living in makeshift camps across the Zairean, Tanzanian and Burundian borders, and another 2 million people displaced from their homes within Rwanda. FY 1994 Title II food aid fed both groups.

-- Peace has at long last come to Mozambique. Title II programs this past year were instrumental in feeding both internally displaced persons and over a million returning refugees. Food-for-work programs for school construction, road demining and repair, cleaning and repair of irrigation canals and wells, and construction of health clinics all helped the Mozambican people recover from a decade and a half of heinous civil strife.

While the achievements are significant, the challenge of attaining sustainable food security, a foundation of economic development, remains daunting. Food insecurity continues to affect millions of people. USAID, through its use of Title II resources, has contributed effectively to both short and long-term food security, which is defined as "access by all people at all times to the food needed for a healthy and productive life." The urgency and magnitude of the needs related to food security call for continuing and unwavering U.S. leadership -- and food aid. Commitments through Title II assistance will be key in mobilizing further support from the international donor community, recipient governments, the private sector, and NGOs in assisting national food adequacy in the developing world.

The Title II program also makes significant contributions to America. Thousands of farmers, millers, processors, packagers and shippers throughout the United States are employed in the production of commodities used in overseas food aid programs. In FY 1994 P.L. 480 Title II shipped 1,651,050 metric tons (MT) of U.S. grown cereals, 156,815 MT of bagged rice, 140,085 MT of vegetable oil, 84,940 MT of beans, 31,550 MT of lentils and 27,709 MT of peas overseas.

For FY 1996, USAID will continue to allocate the Title II food aid resources to the most food insecure countries and to impoverished and food insecure people. A "management for results" strategy is being jointly developed with cooperating U.S. PVOs which will shift the focus from inputs and food aid distribution to the results of food aid interventions. In the future, as much attention will be devoted to measuring and quantifying program results as has been historically devoted to food aid delivery. Priority will be given to supporting disaster prevention, preparedness and mitigation and post-disaster rehabilitation activities as part of development programs. Conversely, emergency assistance will be used to the extent possible to serve both relief and development purposes. In both cases, the overall aim is to save lives and build self-reliance.

In the Greater Horn of Africa initiative, the United States Government will exercise leadership to integrate emergency assistance and development programs to attack the root causes of food insecurity. Emergency food aid will be aimed not just at meeting emergency food needs, but where possible, at the rehabilitation of local productive capacity, focused on agriculture and livestock, and in developing local capacity in health and household nutrition.

With the expected continued modest or non-availability of section 416(b) surplus commodities, emergency food aid needs are expected to remain a significant share of Title II budgetary allocations. FY 1994 Title II budget outlays for emergencies worldwide equaled \$494 million.

Due to fiscal constraints, the 16th Biennium Pledge by the United States for 1995-96 to the World Food Program has been scaled downward to \$300 million from the previous pledge of \$350 million. Of the \$300 million, 60% (\$180 million) is earmarked for protracted refugee and internally displaced person operations, and the remainder (\$120 million) for development projects.

### Title III Food for Development.

The P.L. 480 Title III program is an important USAID instrument for enhancing food security in least developed countries. Despite economic growth and increased global food supplies, malnutrition persists in many countries, particularly in Africa. Due to budgetary constraints and the need to give priority to Title II humanitarian assistance, Title III has been reduced from prior years. USAID is

directing its proposed \$50 million in FY 1996 Title III resources to those countries most in need and will concentrate on policy reform and other programs necessary to enhance agricultural productivity and improve household nutrition. Examples of desired policy reforms include: changing agricultural pricing policies that are unfavorable to producers and discourage productivity-enhancing technologies, ending import and export policies that reduce investment in agricultural enterprises, ending restrictions on the development of free internal markets, and generating investments in rural infrastructure which support economic growth. Local currencies generated from Title III programs might be used to help reform practices that limit consumption of an adequate diet by certain groups or family members, for programs to improve local storage or creation of emergency food reserves, and for urban "social safety net" programs.

For FY 1996, Title III programs are proposed for Ethiopia, Mozambique and Haiti.

Title III achievements in FY 1994 included:

-- In Bolivia, Title III local currency funded investments in agricultural research, and extension and loans resulted in increasing domestic wheat production to 25% of consumption. Other benefits included increased employment opportunities and improved conservation of the natural resource base (farmland).

-- In Haiti, Title III food imports stabilized prices for wheat flour during a period of intense internal crisis, thereby keeping food more affordable to highly vulnerable populations.

-- In Honduras, the removal of price controls increased food availability, and corresponding agricultural policy reforms helped increase domestic production by 15%.

-- In Mozambique, Title III commodities fostered expanded private sector marketing networks throughout the countryside, which led to creating a greater demand for national production, while at the same time Title III food aid (yellow maize) fed the poorest segment of the urban population.

Food for Peace funding also is used for a worldwide farmer-to-farmer program, which provides short-term technical assistance from U.S. farmers and agribusinessmen, and for logistical and management support for the PVOs which implement Title II food aid activities.

See Summary Tables volume for P.L. 480 program detail, including dollar and metric tonnage levels broken out by type of program by region and by country.

## USAID OPERATING EXPENSES

FY 1996 REQUEST:.....\$ 529,000,000

The Operating Expense (OE) appropriation finances the salaries and support costs of personnel responsible for managing the sustainable development, humanitarian assistance and food aid programs of the U.S. Government worldwide as well as programs to support peace and democracy in such places as the Middle East, Central and Eastern Europe and the former Soviet Union. The FY 1996 funding requested for Operating Expenses will fund personnel and support costs required to manage a requested program level of \$6,948,503,000--for an overhead rate for USAID programs of 7.6%.

The FY 1996 appropriation request of \$529,000,000 will support a total cost of operations for USAID in FY 1996 of \$580,388,000, the balance of funds being derived from local currency trust funds, reimbursements, and prior year recoveries carried forward to FY 1996. While the FY 1996 appropriation request for OE is \$11.5 million higher than the FY 1995 level, total FY 1996 resources available for OE-related costs are \$17.2 million (2.8%) lower than for FY 1995, due primarily to the loss of local currency trust funds.

USAID volunteered its entire operation as a reinvention laboratory--the only Agency to do so--under Vice President Gore's Reinventing Government Program. As such, USAID is making substantial changes in every aspect of its operations from program focus to procurement, to personnel, to financial management, and to the very heart of the Agency -- its project process. Most of the reforms will be in place by October 1, 1995.

These reforms include:

- Closing 21 overseas missions, with an additional six closures currently being planned. Six of these posts are already closed and the rest of the 21 will be shut down by September, 1996.
- Reengineering the Agency's project design and implementation systems to reduce the time from project idea to implementation from the current 27 months to 6 months.
- Focusing the Agency's programs on obtaining measurable results at the Agency, regional and country levels rather than on the inputs of specific amounts of funds to accomplish discrete project goals.
- Reorganizing and streamlining Washington headquarters, including the elimination of 90 (25%) of its organizational units.
- Reducing total staff resources by 7.5% between FY 1994 and FY 1996. The Agency is reviewing its overseas operations to determine the impact of reengineering on overseas staffing requirements and organizational structures. It is anticipated that the new systems will permit some additional reductions in overseas staffing.
- Reducing senior management positions by 26%, with a further 10% reduction planned by the end of FY 1996.
- Streamlining USAID's procurement process and opening it up to as broad array of qualified applicants as possible.
- Developing a new financial management system that consolidates 11 separate accounting systems into one and will bring greater transparency and accountability to the Agency's operations.

In FY 1996, USAID will begin its move into the Federal Triangle Building, the move to be completed by December 31, 1996. The Agency currently occupies nine buildings. This move will mark the first time in the Agency's history that its headquarters staff has been located in a single building. The FY 1996 costs associated with this move are estimated at \$18.2 million (including about \$4 million in rental costs). The consolidation of staff will have significant benefits for the Agency, including:

- Improved communications among and between staff and managers;
- Elimination of duplication in support functions which currently have to be provided in two or more of the nine buildings currently being occupied;
- Reduced staff time lost due to travel among the many office buildings; and
- Improved management oversight of administrative operations, currently scattered among the various locations.

The Agency will begin to recoup substantial savings from mission closeouts, the move to the new building, and the implementation of the new management systems in FY 1997.

**ALLOCATION OF OE COSTS - OVERSEAS & WASHINGTON  
(DOLLARS IN THOUSANDS)**

<u>Category/Location</u>	<u>FY 1994 Actual</u>	<u>FY 1995 Estimate</u>	<u>FY 1996 Request</u>
<b>Overseas Costs</b>			
U.S Direct Hire Salaries and Benefits	104,140.5	106,418.0	107,117.0
Other U.S. Direct Hire Costs	24,508.6	27,678.0	26,377.0
Foreign National Direct Hire Salaries and Benefits	16,825.8	16,700.0	15,637.0
Contract Personnel	67,762.0	68,249.0	64,179.0
Housing Costs	28,182.1	30,290.0	30,102.0
Office Operations	55,808.1	59,374.0	55,117.0
Non-Expendable Property	18,954.5	14,415.0	16,053.0
Foreign Affairs Administrative Support	15,594.5	16,088.0	16,088.0
Overseas Automated Data Processing Maintenance	1,371.6	441.0	418.0
Staff Training	1,700.0	2,425.0	2,050.0
Support for Dependent Education	1,500.0	1,500.0	1,750.0
Other Payments	<u>6,013.5</u>	<u>6,765.0</u>	<u>6,486.0</u>
<b>Subtotal Overseas Costs</b>	<b><u>342,361.2</u></b>	<b><u>352,343.0</u></b>	<b><u>341,374.0</u></b>
<b>Washington Costs</b>			
U.S Direct Hire Salaries and Benefits	134,457.1	142,354.0	147,372.0
General Support Services	28,294.5	27,967.0	24,074.0
IRM Support Services	27,314.0	30,075.0	26,923.0
Headquarters Bureaus and Offices	14,126.2	15,953.0	15,901.0
Staff Training	1,700.0	2,425.0	2,050.0
Other Payments	<u>7,280.5</u>	<u>7,191.0</u>	<u>3,734.0</u>
<b>Subtotal Washington Costs</b>	<b><u>213,172.3</u></b>	<b><u>227,965.0</u></b>	<b><u>220,054.0</u></b>
<b>Subtotal Recurring Costs</b>	<b><u>555,533.5</u></b>	<b><u>580,308.0</u></b>	<b><u>561,428.0</u></b>
<b>Other Costs</b>			
Federal Triangle Building	7,636.9	5,980.0	18,185.0
Real Property Overseas	<u>2,894.2</u>	<u>11,297.0</u>	<u>775.0</u>
<b>Subtotal Other Costs</b>	<b><u>10,531.1</u></b>	<b><u>17,277.0</u></b>	<b><u>18,960.0</u></b>
<b>TOTAL OBLIGATIONS</b>	<b><u>566,064.6</u></b>	<b><u>597,585.0</u></b>	<b><u>580,388.0</u></b>

**FUNDING SOURCES FOR USAID OPERATING EXPENSES**  
(DOLLARS IN THOUSANDS)

<u>Category</u>	FY 1994 <u>Actual</u>	FY 1995 <u>Estimate</u>	FY 1996 <u>Request</u>
Appropriated Operating Expenses	504,760.0	517,500.0	529,000.0
Appropriation Transfers	12,600.0	0.0	0.0
Reimbursements	5,029.0	5,500.0	6,000.0
Local Currency Trust Funds (Regular)	41,589.7	40,370.0	35,586.0
Local Currency Trust Funds (Real Property)	12,586.6	11,297.0	775.0
Unobligated Balances Available Start of Year	8,671.0	21,953.0	9,000.0
Recovery of Prior Year Obligations	11,573.0	9,000.0 *	9,000.0 *
Israeli Guaranty Administrative Expenses	0.0	27.0	27.0
Prior Year Program for OE Carried Forward	270.4	938.0	0.0
Deobligation/Reobligation Authority	<u>1,336.9</u>	<u>0.0</u>	<u>0.0</u>
Total Funding Availability	<u>598,416.6</u>	<u>606,585.0</u>	<u>589,388.0</u>
OE Balances Carried Forward (Recoveries)	11,573.0	9,000.0	9,000.0 *
OE Balances Carried Forward (Regular)	10,380.0	0.0	0.0
Trust Funds Carried Forward (Real Property)	10,015.0	0.0	0.0
Unobligated Balances Expiring	<u>384.0</u>	<u>0.0</u>	<u>0.0</u>
Total Obligations	<u>566,064.6</u>	<u>597,585.0</u>	<u>580,388.0</u>

\* These entries were inadvertently omitted from the President's Budget. The omission did not impact on the FY 1996 OE request or obligation level shown in the President's Budget, which is the same as shown here.

**USAID WORKFORCE LEVELS \***

<u>Category</u>	FY 1994 <u>Actual</u>	FY 1995 <u>Estimate</u>	FY 1996 <u>Request</u>
<b>Washington Headquarters:</b>			
U.S. Direct Hire	1,905	1,955	1,955
U.S. Personal Service Contractors	<u>103</u>	<u>103</u>	<u>103</u>
Subtotal Washington	<u>2,008</u>	<u>2,058</u>	<u>2,058</u>
<b>Overseas:</b>			
U.S. Direct Hire	1,004	974	974
U.S. Personal Service Contractors	505	479	457
Foreign National Direct Hire	715	635	625
Foreign National Personal Service Contractors	<u>4,886</u>	<u>4,558</u>	<u>4,318</u>
Subtotal Overseas	<u>7,110</u>	<u>6,646</u>	<u>6,374</u>
<b>Worldwide Totals:</b>			
U.S. Direct Hire	2,909	2,929	2,929
U.S. Personal Service Contractors	608	582	560
Foreign National Direct Hire	715	635	625
Foreign National Personal Service Contractors	<u>4,886</u>	<u>4,558</u>	<u>4,318</u>
Total Worldwide	<u>9,118</u>	<u>8,704</u>	<u>8,432</u>

\* Data on direct hire is in Full-Time Equivalent (FTE) workyears for OE funded personnel only. Data on personal service contractors represents end-of-year on-board levels for OE and program funded personnel only.

## OPERATING EXPENSES OF INSPECTOR GENERAL

FY 1996 Request: .....\$ 39,118,000

The FY 1996 budget request of \$39,118,000 for the operating expenses of the Inspector General provides the necessary resources to finance audits and investigations designed to promote economy and efficiency, to detect fraud and abuse in USAID programs, and to administer the USAID worldwide security program. This request represents a straightlining of the FY 1995 appropriation level.

The Office of Inspector General (OIG) has absorbed increased costs associated with: (1) expanded Quality Control Reviews regarding office of Management and Budget Circular A-133 audits of USAID recipients; (2) continuance and augmentation of Chief Financial Officer operations that require audits of the Micro and Small Enterprise Development Program, Israeli Loan Guaranty Program, Foreign Service National Trust Fund, Housing Guaranty Program, Property Management Program and U.S. Miscellaneous Dollar Trust Fund; (3) procurement, shipment and installation of office physical security systems and security communications systems; (4) mandatory cost increases for Department of State Foreign Affairs Administrative Support costs; (5) additional travel requirements directly related to audits and investigations in the New Independent States of the former Soviet Union, Eastern Europe, and the West Bank and Gaza; and (6) requirements to provide light armoring for USAID-purchased vehicles and to continue the second phase of a five-year plan to replace the aging fleet of fully armored vehicles.

At the same time, the OIG is taking a number of steps to reduce costs and permit continuation of the OIG operations in FY 1996 at the FY 1995 budget level. These actions consist of: implementing an IG-wide reorganization that includes consolidation of duplicative functional responsibilities and reductions in administrative and operational costs; reducing the number of Senior Foreign Service designated positions; decreasing U.S. direct-hire personnel and U.S. and Foreign National personal service contractors; and reducing the number of managers and supervisors in our personnel ceiling.

**INSPECTOR GENERAL OPERATING EXPENSES  
(DOLLARS IN THOUSANDS)**

<u>Category</u>	<u>FY 1994 Actual</u>	<u>FY 1995 Estimate</u>	<u>FY 1996 Request</u>
Personnel Compensation	17,024	17,426	17,649
Personnel Benefits	4,234	4,507	4,530
Travel and Transportation	3,390	3,438	3,499
Transportation of Things	978	1,071	880
Rent, Communications and Utilities	3,325	3,297	3,357
Printing	57	62	63
Other Services	7,645	7,690	7,720
Supplies and Materials	257	231	255
Equipment	<u>1,863</u>	<u>1,396</u>	<u>1,165</u>
Total Obligations	<u><b>38,773</b></u>	<u><b>39,118</b></u>	<u><b>39,118</b></u>

**INSPECTOR GENERAL WORKFORCE LEVELS**

<u>Category</u>	<u>FY 1994 Actual</u>	<u>FY 1995 Estimate</u>	<u>FY 1996 Request</u>
<b>Direct Hire Employees:</b>			
U.S. Direct Hire	236	232	235
Foreign National Direct Hire	<u>5</u>	<u>5</u>	<u>0</u>
Subtotal Direct Hire	<u><b>241</b></u>	<u><b>237</b></u>	<u><b>235</b></u>
<b>Personal Service Contractors:</b>			
U.S. Personal Service Contractors	12	11	0
Foreign National Service Contractors	<u>78</u>	<u>76</u>	<u>70</u>
Subtotal Contractors	<u><b>90</b></u>	<u><b>87</b></u>	<u><b>70</b></u>
Total Workforce Levels	<u><b>331</b></u>	<u><b>324</b></u>	<u><b>305</b></u>

**NOTES:**

1. Data on direct hire is in full-time equivalent (FTE) workyears for IG funded personnel only.
2. Data on personal service contractors represents end-of-year, on-board levels for IG.

## FOREIGN SERVICE RETIREMENT AND DISABILITY FUND

FY 1996 REQUEST:..... \$ 43,914,000

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 1996, \$43,914,000 will be required to amortize this liability and the unfunded liability created by pay raises and benefit changes since FY 1974. This appropriation is authorized by Chapter 8 of the Foreign Service Act of 1980.

## GLOSSARY OF TERMS

The glossary defines legislative, administrative, programming and budget terms referred to in the presentation. Underscored terms in the definitions are defined elsewhere in the glossary. Frequently used abbreviations are included.

Activity: Project or task required to carry out a program. The word "activity" is used for any activity or unified group of activities, programs, projects, types of material assistance or other operations, and refers to both project and non-project assistance.

Actual Year: Last completed fiscal year; in this case, FY 1994.

Appropriation: An act of Congress permitting Federal agencies to incur obligations for specified purposes, e.g., Foreign Operations, Export Financing and Related Programs Appropriation Act, 1995.

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 assistance 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 by law to enter into obligations which result in outlays of government funds. The funds are composed of the appropriated levels, reobligations of deobligations, and transfers from or to other accounts

Budget Year: Year of budget consideration; in this case, FY 1996.

Continuing Resolution: A joint resolution passed by the Congress to provide stop-gap funding for agencies or departments whose regular appropriations bills have not been passed by Congress.

Cooperatives: A business voluntarily owned and controlled by its users and operated for their benefits.

Credit Programs: Loans and guaranties made at market rates, in support of the goals of the Foreign Assistance Act of 1961, as amended. They include the Housing Guaranty Program (section 222 of the FAA), the Micro and Small Enterprise Program (section 108), and the newly proposed Enhanced Credit Program.

Deobligations: Unexpended funds obligated for a specific activity which are subsequently withdrawn following a determination that they are no longer required for that activity.

Development Assistance: Assistance under Chapter I of the Foreign Assistance Act of 1961, as amended, primarily designed to promote economic growth and the 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 secure an expansion of the aggregate volume of resources made available to developing countries and to improve their effectiveness. 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: Assistance under Chapter 10 of Part I of the Foreign Assistance Act of 1961, as amended, for long-term development of sub-Saharan Africa.

Development Loan: Development assistance which must be repaid, usually a long-term, low-interest loan repayable in U.S. dollars.

Economic Assistance: Bilateral and multilateral foreign assistance designed primarily to promote economic growth in recipient countries. 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).

Expenditures: As reported in this document, represent the total value of goods and services received, disbursement for which may not have been made. Disbursements, also referred to as actual expenditures or outlays, represent 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, which is USAID's present authorizing legislation.

Foreign Operations, Export Financing and Related Programs Act: The Appropriations Act for a particular year for economic and military assistance and Export-Import Bank. It excludes P.L. 480 food aid, which is appropriated in separate legislation.

FREEDOM Support Act: The legislation (Freedom for Russia and Emerging Eurasian Democracies and Open Markets Support Act of 1992, P.L. 102-511) that provides authorization to support freedom and open markets in the New Independent States of the former Soviet Union.

Grants: 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 total output of final goods and services produced by residents and non-residents 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 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.

International Financial Institutions (IFIs): Currently known as multilateral development banks (MDBs). They are multilateral lending institutions which provide resources for development. They include the following: Asian Development Bank (ADB) and Fund (ADF), Inter-American Development Bank (IADB), International Bank for Reconstruction and Development (IBRD or the "World Bank"), International Finance Corporation (IFC), International Development Association (IDA), African Development Bank (AfDB) and Fund (AfDF), and European Bank for Reconstruction and Development (EBRD).

Loans: Assistance which must be repaid. Repayment terms for 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 Operations, Export Financing and Related Programs Appropriation Act. Loans are no longer provided under Development Assistance or Economic Support Funds, but are provided under credit programs. See credit programs.

Mortgage: The difference between the planned life of a project amount and obligation.

Multilateral Assistance: Assistance which the United States provides to less developed countries (LDCs) through multilateral development banks, the United Nations agencies, and other international organizations with development purposes.

Multilateral Development Banks: (MDBs): See international financial institutions.

New Obligational Authority: See appropriations.

Non-Project Assistance: Program or commodity loans or grants which provide budget or balance-of-payments support to another country. Such assistance is funded under the Economic Support Fund, the Development Fund for Africa, or the SEED and FREEDOM Support Acts.

Obligation: Legal commitment of funds through such mechanisms are signed agreements between the U.S. Government and host governments, contracts and grants to organizations and purchase orders.

Ocean Freight Reimbursements: Reimburses private and voluntary organizations (PVOs) 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 (DAC) 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."

Operational Year: Fiscal year in progress (current year), presently FY 1995.

Organization for Economic Cooperation and Development (OECD): Organization of donor countries which promotes policies designed to stimulate economic growth and development of less developed countries (LDCs). OECD member countries are Australia, 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.

Outlays: Cash disbursements from the Treasury which liquidate obligations.

**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.

**Pipeline:** The difference between net 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 projects designed to promote the spacing of children may comprise a program to reduce infant deaths.

**Project:** A single activity designed to generate specific results. For example, a maternal and child health project may be designed to extend basic health services to 60% of children under five years of age in a poor, rural district of the recipient country.

**Reimbursement:** Collection of funds for services provided to recipients outside the Agency.

**Reobligations:** Obligation of an amount which had been obligated and deobligated in prior transactions.

**SEED Act:** The legislation (Support for East European Democracy Act of 1989, P.L. 101-179) that provides authorization to promote political democracy and economic pluralism in the countries of Central and Eastern Europe.

**Strategic Objective:** A measurable objective which is developmentally significant, whose achievement over the medium term (5-8 years) USAID is able to directly influence.

**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 builds indigenous institutions.

#### **Congressional Presentation (CP) Terms:**

**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 1994. This publication is released at the time of or shortly after the Congressional Presentation is distributed.

**All Spigots Tables:** Tables which show U.S. economic and military assistance levels from all sources, broken out by program, region and country.

## ABBREVIATIONS AND ACRONYMS

AAFLI	-	Asian-American Free Labor Institute
ADB	-	Asian Development Bank
ADP	-	Automated Data Processing
AELGA	-	African Emergency Locust and Grasshopper Assistance
AEP RP	-	African Economic Policy Reform Program
AERC	-	African Economic Research Consortium
AFL-CIO	-	American Federation of Labor - Congress of Industrial Organizations
AFTA	-	Asian Free Trade Agreement
AGRHYMET	-	African Regional Agroclimatological, Hydrological and Meteorological Institute
AIDS	-	Acquired Immunodeficiency Syndrome
AIDSCAP	-	AIDS Control and Prevention Project
AIFLD	-	American Institute for Free Labor Development
ANE	-	Asia and Near East
APEF	-	African Private Enterprise Fund
AREAF	-	African Electoral Assistance Fund
ASARED	-	Association for the Protection and Strengthening of Democracy
ATLAS	-	Advanced Training for Leadership and Advanced Skills
ASEAN	-	Association of Southeast Asian Nations
AVSEC	-	Aviation Security
AWACS	-	A.I.D. Washington Accounting and Control System
BCC	-	Behavior Change Communication
BDG	-	Bangladesh Government
BISNIS	-	Business Information Service for the New Independent States (Department of Commerce)
BOD	-	Biological Oxygen Demand
BRA	-	Bank Rehabilitation Agency
BSC	-	Business Services Center
CAAM	-	Presidential Environmental Advisory Commission (Ecuador)
CABEI	-	Central American Bank for Economic Integration
CAEA	-	Climate and Atmospheric Environment Activities Trust Fund (World Meteorological Organization)
CAFS	-	Center for African Family Studies
CAP	-	Central American Programs
CAPEL	-	Center for Electoral Assistance and Promotion
CAR	-	Central African Republic
CARE	-	Cooperative for American Relief Everywhere
CASS	-	Cooperative Agreement with States for Scholarships
CBA	-	Cooperative Business Association
CCAD	-	Central America Commission on Environment and Development
CDB	-	Caribbean Development Bank
CEE	-	Central and Eastern Europe
CEPRA	-	Center for Economic Policy, Research and Analysis (Armenia)
CERPOD	-	Center for Research on Population and Demography
CFA	-	African Financial Community (Communauté Financière Africaine)
CFC	-	Chloro-fluorocarbon
CG	-	Consultative Group
CIAV	-	Commission of Support and Verification (Nicaragua)
CIDA	-	Canadian International Development Agency
CIECC	-	Special Multilateral Fund (Organization of American States)

CIES	-	Special Development Assistance Fund (Organization of American States)
CILSS	-	Permanent Interstate Committee for Drought Control in the Sahel
CIP	-	Commodity Import Program
CITES	-	Convention on International Trade in Endangered Species of Wild Fauna and Flora
CLASP	-	Caribbean and Latin American Scholarship Program
CLD	-	Latin American Development Cooperation
CLICOM	-	Climate Computer Project (World Meteorological Organization)
CLUSA	-	Cooperative League of the USA
CO2	-	Carbon Dioxide
COMESA	-	Common Market for East and Southern Africa
CONCAUSA	-	Central America-USA Alliance
CPR	-	Cardio-Pulmonary Resuscitation
CPR	-	Contraceptive Prevalence Rate
CRS	-	Catholic Relief Services
CSCE	-	Conference on Security and Cooperation in Europe
CSD	-	Commission on Sustainable Development (United Nations)
CSFR	-	Czech and Slovak Federal Republic
CSO	-	Civil Society Organization
CYP	-	Couple Years of Protection
DA	-	Development Assistance
DAC	-	Development Assistance Committee (Organization for Economic Cooperation and Development)
DAF	-	Development Assistance Fund
DART	-	Disaster Assistance Response Team
DFA	-	Development Fund for Africa
DHS	-	Demographic and Health Survey
DOC	-	Department of Commerce
EAI	-	Enterprise for the Americas Initiative
EBRD	-	European Bank for Reconstruction and Development
EC	-	European Community
ECOWAS	-	West African Economic Community
ECP	-	Enhanced Credit Program
EEC	-	European Economic Community
EFJ	-	Environmental Foundation of Jamaica
EIA	-	Environmental Initiative for the Americas
ELI	-	Environmental Law Institute
ENI	-	Europe and New Independent States
EPA	-	Environmental Protection Agency
EPTA	-	Expanded Program of Technical Assistance (United Nations)
ERP	-	Economic Reform Program
ESAF	-	Enhanced Structural Adjustment Facility
ESF	-	Economic Support Fund
EU	-	European Union
EXIM	-	Export-Import Bank
FAA	-	Federal Aviation Administration
FAO	-	Food and Agriculture Organization (United Nations)
FCC	-	Federal Communications Commission
FCCC	-	Framework Convention on Climate Change (United Nations)
FEMICA	-	Federation of Central American Municipalities
FIEWS	-	Famine Early Warning System

FFA	-	Forum Fisheries Agency (South Pacific)
FHIS	-	Honduran Fund for Social Investment
FISE	-	Emergency Social Investment Fund
FMLN	-	Farabundo Marti National Liberation Front (El Salvador)
FNDH	-	Foreign National Direct Hire
FP	-	Family Planning
FREEDOM	-	Freedom for Russia and Emerging Eurasian Democracies and Open Markets Support Act
FSRDF	-	Foreign Service Retirement and Disability Fund
FSU	-	Former Soviet Union
FSVC	-	Financial Services Volunteer Corps
FTAA	-	Free Trade Area of the Americas
FTB	-	Federal Triangle Building
FTE	-	Full-Time Equivalent
FYROM	-	Former Yugoslav Republic of Macedonia
G-7	-	Group of Seven (leading industrial nations consisting of Britain, Canada, France, Germany, Italy, Japan and the United States)
GATT	-	General Agreement on Tariffs and Trade
GCA	-	Global Coalition for Africa
GCC	-	Global Climate Change
GCRP	-	Global Change Research Program
GDP	-	Gross Domestic Product
GEF	-	Global Environmental Facility
GHA1	-	Greater Horn of Africa Initiative
GIPME	-	Global Investigation of Pollution in the Marine Environment
GLOSS	-	Global Sea Level Observing System
GNP	-	Gross National Product
GOA	-	Government of Angola or Armenia
GOB	-	Government of Belarus, Belize, Benin, Bolivia or Brazil
GOC	-	Government of Colombia
GOCI	-	Government of the Cote d'Ivoire
GOCR	-	Government of Costa Rica or Czech Republic
GODR	-	Government of the Dominican Republic
GOE	-	Government of Ecuador, Egypt, Eritrea or Estonia
GOES	-	Government of El Salvador
GOG	-	Government of Georgia, Ghana, Guatemala, Guinea or Guyana
GGB	-	Government of Guinea-Bissau
GOH	-	Government of Haiti, Honduras or Hungary
GOI	-	Government of India, Indonesia or Israel
GOJ	-	Government of Jamaica or Jordan
GOK	-	Government of Kazakhstan or Kenya
GOL	-	Government of Lebanon or Lithuania
GOM	-	Government of Malawi, Mexico, Mongolia or Morocco
GON	-	Government of Nepal, Nicaragua or Niger
GOOS	-	Global Ocean Observing System
GOP	-	Government of Panama, Paraguay, Peru, Philippines or Poland
GOR	-	Government of Romania
GOS	-	Government of Senegal or Slovakia
GOT	-	Government of Tanzania, Turkey or Turkmenistan
GOTG	-	Government of The Gambia
GOU	-	Government of Uganda or Ukraine
GNU	-	Government of National Unity, South Africa
GPA	-	Global Program on AIDS (World Health Organization)

GRC	-	Government of the Republic of Cameroon
GRM	-	Government of the Republic of Madagascar, Mali or Mozambique
GRN	-	Government of the Republic of Namibia
GRZ	-	Government of the Republic of Zambia or Zimbabwe
GSA	-	General Services Administration
GSL	-	Government of Sri Lanka
GSS	-	Global Strategy for Shelter to the Year 2000
GSP	-	General Systems of Preferences
GTZ	-	Guatemala Trade Zone
HA	-	Hectare
HABITAT	-	United Nations Center for Human Settlements
HBCU	-	Historically Black Colleges and Universities
HBI	-	Home Builders Institute
HDI	-	Human Development Index
HFC	-	Housing Finance Company
HFI	-	Human Freedom Index
HG	-	Housing Guaranty
HIV	-	Human Immunodeficiency Virus
HMO	-	Health Maintenance Organization
HRDA	-	Human Resource Development for Africa
HYV	-	High-Yield Variety
IBRD	-	International Bank for Reconstruction and Development (World Bank)
ICAO	-	International Civil Aviation Organization
ICITAP	-	International Criminal Investigative and Training Assistance Program (U.S. Department of Justice)
ICORC	-	International Committee on the Reconstruction of Cambodia
ICRC	-	International Committee for the Red Cross
ICSECA	-	International Contributions for Scientific, Educational and Cultural Activities
ICSOC	-	International Conventions and Scientific Organizations Contributions (now ICSECA)
ICSU	-	International Council of Scientific Unions
IDB	-	Inter-American Development Bank
IDNDR	-	International Decade for Natural Disaster Reduction
IEC	-	Information, Education and Communication
IESC	-	International Executive Service Corps
IFC	-	International Finance Corporation
IFES	-	International Foundation for Electoral Systems
IFI	-	International Financial Institution
IFI	-	International Fund for Ireland
IGADD	-	Intergovernmental Authority on Drought and Development
IG	-	Inspector General
IGCP	-	International Geological Correlation Program
IGOSS	-	Integrated Global Ocean Services System
IHP	-	International Hydrological Program
IICA	-	Inter-American Institute of Agricultural Sciences
IIDH	-	Inter-American Institute for Human Rights
ILO	-	International Labor Organization
IMAZON	-	Institute for Man and the Amazonian Environment
IMF	-	International Monetary Fund
IMR	-	Infant Mortality Rate
INC	-	Intergovernmental Negotiating Committee
INCAE	-	Central American Institute of Business Administration

INSAH	-	Sahel Research Institute
IO&P	-	International Organizations and Programs (State Department)
IOC	-	Intergovernmental Oceanographic Commission
IPAM	-	Amazon Institute for Environmental Research
IPCC	-	Intergovernmental Panel on Climate Change
IPDC	-	Intergovernmental Program for the Development of Communication
IPF	-	Indicative Planning Figure
IPPF	-	International Planned Parenthood Federation
IPS	-	Investment Promotion Service (UNIDO)
IRA	-	Irish Republican Army
IRC	-	International Rescue Committee
IRI	-	International Republican Institute
IRIS	-	Institute for Reform of the Informal Sector
IRM	-	Information Resources Management
ISA	-	Initiative for Southern Africa
ISP	-	Information Systems Plan
ITSU	-	International Coordination Group for the Tsunami Warning System
ITTA	-	International Tropical Timber Agreement
ITTO	-	International Tropical Timber Organization
IUCN	-	International Union for Conservation of Nature
IUD	-	Intra-Uterine Device
JAFPP	-	Jordanian Association for Family Planning and Protection
JICA	-	Japanese International Cooperation Agency
JRMP	-	Joint Regional Marketing Program
LAC	-	Latin America and the Caribbean
LDC	-	Less, or Least, Developed Country
LG	-	Local Government
LPG	-	Loan Portfolio Guaranty
LRMC	-	Long-Run Marginal Cost
MAB	-	Man and Biosphere Program
MCH	-	Maternal and Child Health
MEP	-	Middle East Peace
MERC	-	Middle East Regional Cooperation Program
MIS	-	Management Information System
MMR	-	Maternal Mortality Rate
MNF	-	Multi-National Force
MOH	-	Ministry of Health
MSED	-	Micro and Small Enterprise Development
MSO	-	Mission Strategic Objective
MT	-	Metric Ton
MWI	-	Ministry of Water and Irrigation (Jordan)
NAFTA	-	North American Free Trade Agreement
NAR	-	Nutritional Association of Realtors
NARS	-	National Agricultural Research Institution
NAS	-	National Academy of Sciences
NATO	-	North Atlantic Treaty Organization
NDI	-	National Democratic Institute
NED	-	National Endowment for Democracy
NEPRP	-	African Economic Policy Reform Program
NGO	-	Nongovernmental Organization

NHB	-	National Housing Bank
NHP	-	Natural Hazards Program
NIC	-	Newly Industrialized Country
NIS	-	New Independent States of the Former Soviet Union
NMFS	-	National Marine Fisheries Services
NOx	-	Nitrous Oxide
NPR	-	National Performance Review
NRCA	-	Natural Resources Conservation Authority (Jamaica)
NRM	-	Natural Resource Management
NSD	-	National Security Directive
NSN	-	Northern Sciences Network
NTAE	-	Non-Traditional Agricultural Export
NTPD	-	Non-Timber Forest Product
OAS	-	Organization of American States
OCP	-	Onchocerciasis Control Program
ODA	-	Official Development Assistance
ODA	-	Overseas Development Agency (United Kingdom)
OE	-	Operating Expense
OECD	-	Organization for Economic Cooperation and Development
OECF	-	Overseas Economic Cooperation Fund (Japan)
OECS	-	Organization of Eastern Caribbean States
OFDA	-	Office of U.S. Foreign Disaster Assistance (USAID)
OHOR	-	Office of Human Rights Ombudsman (Government of Guatemala)
OIG	-	Office of the Inspector General (USAID)
OMB	-	Office of Management and Budget
OPIC	-	Overseas Private Investment Corporation
OR	-	Operations Research
ORS	-	Oral Rehydration Salts
ORT	-	Oral Rehydration Therapy
OSCE	-	Organization for Security and Cooperation in Europe
OTC	-	Over the Counter
PAHO	-	Pan American Health Organization
PARTS	-	Policy Analysis, Research and Technical Support
PCA	-	Panama Canal Authority
PHC	-	Primary Health Care
PLO	-	Palestine Liberation Organization
PMP	-	Prevention, Mitigation and Preparedness
PRISM	-	Program Performance Information for Strategic Management
PSC	-	Personal Services Contract
PTA	-	Parent-Teacher Association
PVO	-	Private and Voluntary Organization
RAPID	-	Resources for the Awareness of Population Impact on Development
RCG	-	Royal Cambodian Government
RDP	-	Reconstruction and Development Program
REDSO/ESA	-	Regional Economic Development Services Office for Eastern and Southern Africa
REDSO/WCA	-	Regional Economic Development Services Office for Western and Central Africa
RENAMO	-	Mozambican National Resistance
RHUDO	-	Regional Housing and Urban Development Office (USAID)
RMA	-	Range Management Area
ROY	-	Republic of Yemen
RSA	-	Republic of South Africa

RSM/EA	-	Regional Support Mission for East Asia
SAEDF	-	Southern African Enterprise Development Fund
SADC	-	Southern Africa Development Community (formerly Southern Africa Development Coordination Conference)
SARP	-	Southern Africa Regional Program
SATCC	-	Southern African Transport and Communications Commission
SBA	-	Small Business Administration
SDA	-	Sustainable Development Assistance
SEED	-	Support for East European Democracy Act
SICE	-	Inter-American System of Trade Information
SIFAD	-	Strengthening Institutions for Food Aid Development Task Force (Bangladesh)
SME	-	Small and Micro Enterprise
SOE	-	State-Owned Enterprise
SO	-	Strategic Objective
SOx	-	Sulfur Oxide
SPA	-	Special Program of Assistance for Africa
SPAN	-	Specially Protected Areas and Wildlife
SPREP	-	South Pacific Regional Environmental Program
STD	-	Sexually Transmitted Disease
TAF	-	The Asia Foundation
TDA	-	Trade and Development Agency
TFR	-	Total Fertility Rate
TGE	-	Transitional Government of Ethiopia
TOGA	-	Tropical Ocean and Global Atmosphere Study
UECP	-	Urban Environment Credit Program
UK	-	United Kingdom
UN	-	United Nations
UNCDF	-	United Nations Capital Development Fund
UNCED	-	United Nations Conference on the Environment and Development
UNCHS	-	United Nations Commission for Human Settlements
UNCTAD	-	United Nations Conference on Trade and Development
UNDHA	-	United Nations Department of Humanitarian Affairs
UNDP	-	United Nations Development Program
UNEP	-	United Nations Environment Program
UNESCO	-	United Nations Educational, Scientific and Cultural Organization
UNFP	-	United Nations Fellowship Program
UNFPA	-	United Nations Population Fund
UNGA	-	United Nations General Assembly
UNHCR	-	United Nations High Commission for Refugees
UNICEF	-	United Nations Children's Fund
UNIDO	-	United Nations Industrial Development Organization
UNIFEM	-	United Nations Development Fund for Women
UNMIH	-	United Nations Mission in Haiti
UNOCHA	-	United Nations Office of Coordination for Humanitarian and Economic Aid to Afghanistan
UNRWA	-	United Nations Relief Works Agency
UNSRSG	-	United Nations Special Representative of the Secretary General
UNTAC	-	United Nations Transitional Authority in Cambodia
URNNG	-	Guatemalan National Revolutionary Unity
US-AEP	-	United States-Asian Environmental Partnership
USAID	-	United States Agency for International Development

USDA	-	United States Department of Agriculture
USDH	-	United States Direct Hire
USIA	-	United States Information Agency
VCF	-	Venture Capital Fund
VCP	-	Voluntary Cooperation Program (World Meteorological Organization)
VOCA	-	Volunteers in Overseas Cooperative Assistance
WAJ	-	Water Authority of Jordan
WCA	-	West and Central Africa
WCP	-	World Climate Program (World Meteorological Organization)
WED	-	Women, Environment and Development Program (United Nations Development Fund for Women)
WFP	-	World Food Program (United Nations)
WHF	-	World Heritage Fund
WHO	-	World Health Organization
WMO	-	World Meteorological Organization
WOCE	-	World Ocean Circulation Experiment
WTO	-	World Trade Organization
WWF	-	World Wildlife Fund
WWW	-	World Weather Watch (World Meteorological Organization)





**AFRICAN DEVELOPMENT FOUNDATION**

**CONGRESSIONAL PRESENTATION**

**FISCAL YEAR 1996**

**AFRICAN DEVELOPMENT FOUNDATION  
1400 EYE STREET, NORTHWEST  
TENTH FLOOR  
WASHINGTON, D.C. 20005**

**March 1995**

(1759)

## TABLE OF CONTENTS

Appropriation Language .....	i
Fiscal Year 1996 Budget .....	ii
ADF Funding History .....	iv
Executive Summary .....	1
<b>NARRATIVE JUSTIFICATION: THE FISCAL YEAR 1996 PROGRAM</b> .....	<b>2</b>
Objectives .....	2
The ADF Approach .....	3
Rationale for a Federal Role .....	6
The FY 1996 Development Grants .....	7
The Sahel .....	9
West Africa I .....	10
West Africa II .....	10
East Africa .....	11
Central Africa .....	12
Southern Africa .....	12
FY 1996 Research and Dissemination .....	13
Research .....	13
Information Dissemination .....	15
In Country Program Support in FY 1996 .....	15
Management and Operations .....	17
A Decade of Making a Difference .....	18
ADF Development Charts .....	20

**APPROPRIATIONS LANGUAGE**

For necessary expenses to carry out the provisions of Title V of the International Security and Development Cooperation Act of 1980, Public Law 96-533, and to make such contracts and commitments without regard to fiscal year limitations, as provided by 31 U.S.C. 9104, \$16,905,000, to remain available until expended: *Provided*, That when, with the permission of the President of the Foundation, funds made available to a grantee under this heading are invested pending disbursement, the resulting interest is not required to be deposited in the United States Treasury if the grantee uses the resulting interest for the purpose for which the grant was made: *Provided further*, That when determined by the President of the African Development Foundation to be necessary, and subject to such security investigations as the President of the Foundation may determine to be appropriate, the Foundation may employ persons who are not citizens of the United States without regard to statutory provisions prohibiting payment of compensation to persons who are not citizens of the United States.

## FISCAL YEAR 1996 BUDGET

## PROGRAM AND FINANCING

(in thousands of dollars)

	1994 Actual	1995 Est.	1996 Est.
<b>Program by Activities:</b>			
Development Grants	\$8,257	\$8,375	\$8,850
Development Research & Dissemination	860	710	720
In Country Support	3,043	3,220	3,285
Program Management and Operation	4,738	4,600	4,550
<b>Total Obligations</b>	<b>16,898</b>	<b>16,905</b>	<b>17,405</b>
<b>Financing:</b>			
Uobligated Expiring	7		
<b>Budget Authority (appropriation)</b>	<b>16,905</b>	<b>16,905</b>	<b>17,405</b>
<b>Relation of obligations to outlays:</b>			
Total obligations	16,898	16,905	17,405
Obligated balance, start of year	14,577	15,976	18,085
Obligated balance, end of year	-15,976	-18,085	-19,324
Adjustments in expired accounts	-1,702		
<b>Outlays</b>	<b>13,797</b>	<b>14,796</b>	<b>16,166</b>

**OBJECT CLASSIFICATION**  
(in thousands of dollars)

	1994 Actual	1995 Est.	1996 Est.
<b>Personnel Compensation:</b>			
Full-time permanent positions	\$2,105	\$2,190	\$2,140
Other than full-time permanent	257	265	240
Other personnel compensation	202	65	50
<b>Total Personnel Compensation</b>	<b>2,564</b>	<b>2,520</b>	<b>2,430</b>
Civilian personnel benefits	523	550	535
Benefits for former personnel	48	25	25
Travel and transportation of persons	464	490	510
Transportation of things	12	20	20
Rental payments to others	400	430	460
Communications, utilities, and miscellaneous charges	105	105	100
Printing and reproduction	63	60	60
Advisory and assistance services	40	50	40
Other services	420	230	240
Supplies and materials	55	50	50
Equipment	44	70	80
Grants, subsidies, and contributions	12,160	12,305	12,855
<b>Total Obligations</b>	<b>16,898</b>	<b>16,905</b>	<b>17,405</b>

**Personnel Summary:**

Total compensable workyears:	50	53	53
Full-time equivalent employment			

**ADF FUNDING HISTORY**

**FY 1981**—\$2.5 million was earmarked in the Sahel Development Account for the African Development Foundation. ADF was not operational, therefore, FY 1981 funds were carried over to FY 1982 within the Sahel Development Account.

**FY 1982**—\$2 million was earmarked in addition to the \$2.5 million carried over from FY 1981 in the Sahel Development Account.

**FY 1983**—No additional earmark was provided because ADF was still not operational. The \$4.5 million accumulated earmark from FY 1981 and FY 1982, however, was carried over to FY 1983 in the Sahel Development Account.

**FY 1984**—ADF became operational. \$3 million was appropriated and the \$4.5 million earmarked for ADF in the Sahel Development Account was transferred to ADF. Total funds available for FY 1984 were \$7.5 million.

**FY 1985**—\$1 million was appropriated. \$1.7 million was carried over from unspent FY 1984 appropriations and \$4 million was carried over from the no-year funds transferred from the Sahel Development Account in FY 1984. A total of \$6.7 million was available in FY 1985.

**FY 1986**—Administration request was \$6 million. \$3.7 million was appropriated (post sequestration). \$2.2 million was carried over from FY 1985 no-year funds. Total funds for FY 1986 were \$5.9 million. In Fiscal Year 1986 all funds, including the no-year funds transferred from the Sahel Development Account, were obligated.

**FY 1987**—Administration request was \$6.5 million. \$6.5 million was appropriated. All funds were obligated.

**FY 1988**—Administration request was \$6.7 million. \$7 million was appropriated. All funds were obligated.

**FY 1989**—Administration request was \$7.1 million. \$8 million was appropriated. All funds were obligated.

**FY 1990**—Administration request for Fiscal Year 1990 was \$9 million. House and Senate Subcommittee on Foreign Operations approved \$9 million, however, with Budget Reconciliation the actual operating figure is \$8,859,000 million. All funds were obligated by the end of the Fiscal Year.

**FY 1991**—Administration request for Fiscal Year 1991 was \$11.5 million. House and Senate Subcommittee on Foreign Operations approved \$13 million. All funds were obligated by the end of the Fiscal Year.

**FY 1992**—Administration request for Fiscal Year 1992 was \$14.95 million. House and Senate approved \$12.808 million. All Funds were obligated by the end of the Fiscal Year.

**FY 1993**—Administration request for Fiscal Year 1993 was \$16.905 million. House and Senate approved increase and appropriated \$16.905 million. All funds were obligated.

**FY 1994**—Administration request for Fiscal Year 1994 is \$16.905 million. House and Senate approved and appropriated \$16.905 million. All funds were obligated.

**FY 1995**—Administration request for Fiscal Year 1995 is \$16.905 million. House and Senate approved and appropriated \$16.905 million. All funds were obligated.

**FY 1996**—Administration request for Fiscal Year 1996 is \$17.405 million.

**EXECUTIVE SUMMARY**

**For Fiscal Year 1996, the African Development Foundation respectfully requests \$17.405 million, to continue to carry out the objectives set forth in the African Development Foundation Act of 1980.**

The Foundation plans to obligate \$8.850 million to finance development initiatives of African grassroots organizations; \$720,000 for research and dissemination activities; \$3.285 million for in-country support (includes Country Liaison Officers; Technical Assistance; and Evaluation activities). In FY 1996 ADF will fund 65 new development projects and 20 new action research projects in 16 African countries.

ADF funding will continue to rest on the assumption that the true development "experts" are the African villagers, traders, farmers, and entrepreneurs who know best what they need and what works for them. The Foundation will support activities that:

- Involve grassroots communities, including women, in the design, implementation, and management of projects;
- Directly benefit the rural and urban poor;
- Develop achievable goals and objectives;
- Include adequate, feasible project and financial management plans; and
- Demonstrate actual or potential linkages to the wider community.

These activities will include development grants and research projects in sectors such as:

- Agriculture and animal husbandry;

- Credit;
- Energy/environment
- Manufacturing and production
- Micro-Enterprise
- Education and Training
- Water resource management; and
- Management and capacity building.

### **NARRATIVE JUSTIFICATION: THE FISCAL YEAR 1996 PROGRAM**

As of September 30, 1994, the African Development Foundation (ADF) had funded over 530 grants in 31 African countries, obligating approximately \$49 million dollars. Nearly 90% of that amount had been provided for development projects with the remainder going to development research.

#### **Objectives**

*The African Development Foundation was established by Congress in 1980, under the authority of the African Development Foundation Act (22 U.S.C. 290h). ADF was established to:*

- Strengthen the bonds of friendship and understanding between the people of Africa and the people of the United States;
- Support self-help activities at the local level, designed to enlarge opportunities for community development;

- Stimulate and assist effective and expanding participation of Africans in their development process; and
- Encourage the establishment and growth of indigenous development institutions which can respond to the requirements of the poor in their communities.

*The Foundation encourages and supports Africans in carrying out their own development strategies and programs by:*

- Providing support to small, community-directed development efforts;
- Supporting sustainable development strategies by indigenous African organizations;
- Supporting African scholars in research on grassroots development issues; and
- Facilitating the dissemination of development information and ideas at the community level throughout Africa.

## **THE ADF APPROACH**

In the late 1970's a need existed for a small flexible agency to provide development assistance directly to grassroots communities in Africa. It was believed that large traditional development assistance schemes created funding "gaps." Smaller projects designed by private sector community-based groups and individuals were being marginalized because of the structural inability of large organizations to respond to relatively small requests for assistance. In essence, larger donor agencies were unable to respond rapidly and effectively to the various exigencies that arise during the life of development projects--particularly in the African context.

The U.S. Congress intended ADF to be a non-traditional and responsive foreign assistance agency that neither designs or implements development projects. Rather, the Foundation was created to and does respond to project proposals that are created and designed by grassroots African communities.

ADF development grants are provided directly to indigenous, non-governmental organizations, and community-based organizations that execute and manage projects themselves. The Foundation's approach is grounded in the assumption that the true development "experts" are the African villagers, traders and entrepreneurs who know best what they need and what works for them.

The ADF approach also rests on the premise that three factors are critical to self-reliant development on the African continent: sustainability, capacity-building, and local control. Each project the Foundation funds is carefully reviewed with the following questions in mind:

- How and by whom was the project designed?
- How and by whom will the project be managed?
- Will the project holders be able to continue the funded activity or some outgrowth of it when ADF funding has ended?
- Will the project generate sufficient income to meet its recurring costs?
- What impact will the project have on the local economy, environment and resources?
- Will the project continue to have access to needed inputs, supplies, or equipment in the long-run?
- What forms of training and technical assistance will project participants require?
- What local sources of support and expertise are available?
- How are decisions made about project and financial management?
- How are decisions made about distribution of the benefits of the project's activities?

Moreover, the Foundation's grant-making process is designed to forge linkages between key actors in the African development process--i.e., grassroots communities, African technical assistance providers, researchers, evaluators, and intermediary organizations. In each country, the ADF Country Liaison Officer (CLO) is a highly trained, African development specialist who works directly with and for grantees and potential grantees. Through the CLO, grantees are assisted in identifying competent technical assistance providers from among the pools of local development experts and organizations. Grantees and potential grantees are also encouraged to obtain assistance from their governments where such services are available.

To ADF's knowledge, there are no organizations--public or private--which rely exclusively on Africans to empower other Africans to participate in the economic growth of their communities. ADF regards CLOs as a program expense because the funding goes to the benefit of grantees and helps ensure project sustainability.

ADF instituted an Accounting Technical Assistance Provider (ATAP), program to strengthen accounting record keeping. Indigenous development experts and academicians work with grantees, through a participatory approach, to evaluate projects. The skills and knowledge gained by grantees through this type of evaluation process provide them with enhanced problem-solving and decision-making skills.

In addition to its development grant program, the Foundation supports development research by Africans and the transfer of development resources, expertise, and knowledge within Africa. ADF provides a small number of grants for research initiated and conducted by African scholars, development professionals, students, and community groups. Since 1986, the Foundation has invited researchers to submit proposals to conduct applied research on the full range of issues pertaining to self-reliant development. Researchers are encouraged to be creative in their choice of topic and to focus on problems that, from their perspective, are most important to their country's development.

Finally, the Congress envisioned an ADF that would serve as a "laboratory" for the U.S. foreign assistance community and the American people. To this end, the Foundation maintains a learning and dissemination program. Through this program, the experiences and knowledge of grantees, African development experts, and the Foundation are shared with both the American and African communities.

## **RATIONALE FOR FEDERAL ROLE**

While there are many private organizations actively involved in providing assistance to Africa, a large proportion of these focus primarily on short-term relief efforts rather than development. Of those private voluntary organizations (PVOs) which focus on development, many do not provide assistance directly to community groups in support of local initiatives, but rather support their own ideas of how Africa should be developed.

Others, by design, have a relatively narrow mission (e.g. health, population control, or appropriate technology) and focus on developing and implementing projects in their specific fields of interest. Some are representative of specific segments of the American people, such as religious groups or business associations. Very few organizations, private or public, are willing or able to put resources and decision-making power directly into the hands of the beneficiary groups.

The African Development Foundation provides funds directly to indigenous community groups to support locally conceived and implemented initiatives. Further, the Foundation does not limit itself to supporting only certain sectors, but provides support for a broad range of projects in virtually every sector. As a Federal effort, the African Development Foundation is representative of the American people and government.

Several multilateral institutions provide various forms of development assistance to Africa. These organizations invariably focus on large-scale, government-run efforts and, because of their size and bureaucratic structure, are not able to effectively reach grassroots people.

Within the Federal government, other agencies, particularly the U.S. Agency for International Development (USAID), provide substantial amounts of development assistance to Africa. USAID, however, provides assistance primarily through host governments rather than directly to community-based organizations. Further, because of its size and structure, USAID is unable to respond efficiently to small-scale requests of the type funded by the Foundation.

Peace Corps' efforts revolve around the provision of volunteers rather than financial support. ADF is the only Federal agency focusing solely on direct financial development assistance to grassroots communities in Africa and the only one to focus on self-initiated projects.

The ADF approach is successful in part because it instills a sense of ownership for the grantees and reflects development priorities they themselves have identified. This factor goes a long way toward contributing to long-term sustainability and economic impact.

### **The FY 1996 DEVELOPMENT GRANT PROGRAM**

In many respects, the Foundation will confront a more challenging and rapidly changing environment in FY 1996. Economic conditions within many countries have deteriorated since the Foundation first began providing assistance in FY 1984. In these countries, economic growth rates have fallen. Per capita income has decreased. Export earnings are stagnant. Currencies--particularly the CFA--have been devalued significantly, and inflation has risen. Population growth has outstripped agricultural productivity. In this context, some African governments have found it increasingly difficult--if not impossible--to provide essential services to their citizens.

Moreover, many of the nations where ADF operates have found that the transition from authoritarian rule to more democratic and/or participatory approaches to governance will not always be easy. Since FY 1984, social upheaval have led ADF to suspend operations in Liberia, Rwanda, Somalia and Togo.

Nonetheless, the Foundation has always found that the African people at the grassroots level have the will and ability to courageously meet the challenges before them. Despite these obstacles, we have seen that Africa's poor can carry out successful and sustainable development projects. They can generate income, create jobs, increase food production, gain access to clean water, and protect their environment, if they are given the resources and skills training that ADF support can provide.

In Fiscal Year 1996, ADF expects to receive as many as 1200 inquiries and proposals for development grant and research projects. Approximately 600 of these proposals will be reviewed in detail, and 65-70 will be funded. ADF will fund projects in a range of sectors including: agriculture, micro-enterprise development, credit, energy and the environment; fish and animal husbandry; management and capacity building; irrigation and water supply; education and training; and public health and nutrition.

In 1996, the overwhelming majority of ADFs grants will continue to go to economic development projects. These will be small grants provided directly to private organizations in Africa, e.g. village self-help groups or community development groups, to carry out development projects designed and implemented by the groups themselves.

ADF expects to fund approximately \$12.855 million in development and research grants, cooperative agreements for CLOs and technical assistance providers in 1996. Because ADF responds to the development initiatives put forth by African organizations and individuals, it cannot predict the exact dollar amount of funds that will

go to any given country prior to the receipt and review of proposals. ADF plans, however, to equitably divide these funds among as many as 16 countries grouped into the six regions described below.

**The regional breakdown represents the 20 countries in which ADF currently operates. This number will be reduced to 16 in FY 1996.**

#### **THE SAHEL.**

In FY 1996, ADF will remain operational in three countries in the Sahel region--Mali, Niger, and Senegal. Each of these countries shares common problems: they are deeply and adversely affected by drought and desertification. Until the 1994 rainy season, low rainfall has led to both low agricultural productivity and environmental degradation. These conditions have precipitated a massive rural-to-urban exodus that has further constrained economic development in each country.

Each of the three governments has also been undergoing a structural adjustment process and currency devaluation (CFA) with the attendant dislocations. Since 1984, ADF has funded 21 development projects in Mali, 28 projects in Niger, and 26 in Senegal. In FY 1996, the Foundation plans to obligate a minimum of \$1.7 million in the region. The funding will cover a total of 11 development grants, three of which will be designated for small grants (below US\$50,000).

New funding initiatives are planned in the Sahel region in central and southern Senegal, central and western Mali and the southern portion of Niger. The Sahel will continue to emphasize the promotion of rural groups' efforts to develop micro-enterprise.

## **WEST AFRICA I**

ADF's West Africa I Region will consist of three countries in FY 1996--Cape Verde, Sao Tome & Principe, and Sierra Leone. Despite linguistic, cultural, and historical differences, these countries are confronting strikingly similar economic difficulties. In Sierra Leone, those difficulties have been exacerbated by national civil unrest and the massive influx of Liberian refugees. Also, each has either recently undergone or is undergoing political change.

Since 1984, the Foundation has funded 6 projects in Cape Verde, 23 projects in Sierra Leone, and 3 projects in Sao Tome & Principe. In the West Africa I Region, ADF primarily supported food self-sufficiency, income generation, water sanitation, training and renewable energy projects.

The Foundation plans to obligate a minimum of \$1 million in the region in FY 1996. Cape Verde and Sao Tome & Principe will receive special emphasis because small, new, open governments have encouraged local participation in the development process. Priority areas will include appropriate technology, food processing, renewable energy, small enterprise development, and institution building--all with well defined income-generation components.

## **WEST AFRICA II**

ADF's West Africa II Region will consist of three countries--Benin, Ghana, and Guinea in FY 1996. These countries, like their neighbors countries, have been struggling since independence to cope with an inherited political/economic structure that is characterized by a bloated bureaucracy and massive state-owned enterprises. Currently, all three are undergoing both an economic reform process and political change.

From beginning operations in this region in FY 1985 until FY 1994, ADF funded 17 projects in Benin, 22 projects in Ghana, and 14 in

Guinea. The Foundation's activities in the West Africa II Region have entailed support for community development, water resource management, small-scale agriculture, credit extension, and agricultural training.

ADF plans to obligate a minimum of \$1.7 million in the region in FY 1996, emphasizing support for agro-business and for micro-enterprises. Two workshops for practical business development are also planned during FY 1996 in this region.

## **EAST AFRICA**

In FY 1996 ADF expects to fund projects in three countries in the East Africa Region--Tanzania, Uganda and Zambia. Tanzania and Zambia have undergone significant changes in both the political and economic areas. Uganda is still recovering from years of devastating civil war.

Since FY 1984, the Foundation has funded 30 projects in Tanzania, 15 projects in Uganda, and 21 projects in Zambia. ADF later decided to concentrate its activities in sub-Saharan Africa, thus the projects in Egypt were subsequently suspended. ADF withdrew from Kenya because the internal socio-political conditions made development work considerably difficult.

Projects funded in this region have included grassroots initiatives in water supply and management, basic food and animal production, and microenterprise development.

The Foundation plans to obligate a minimum of \$1.5 million in the region in FY 1996. Priority will be given to the use of renewable energy, management training, capacity building, conservation of the environment, water resource management, as well as the improvement of conditions for women entrepreneurs.

## CENTRAL AFRICA

ADF's Central Africa Region will consist of four active countries-- Burundi, Cameroon, the Central African Republic, and the Congo.

ADF involvement in this region has been made more difficult over the past year. The upheaval in Rwanda has affected Burundi, and the Congo and Cameroon continue to have political problems.

From FY 1985 to FY 1994, the Foundation Funded 24 projects in Cameroon, 6 projects in the Central African Republic, 16 projects in the Congo, and 13 projects in Rwanda, concentrating on food production and processing, rural water development initiatives, skills training, conservation and reforestation, credit for micro-enterprise, fisheries, and manufacturing.

The Foundation plans to obligate a minimum of \$1.5 million in the region in FY 1996, targeting the same priority areas for programming.

## SOUTHERN AFRICA

In FY 1996, the Southern Africa Region will include four countries-- Botswana, Lesotho, Namibia, and Zimbabwe. Three of these countries are landlocked and to a large degree remain dependent on South Africa's more sophisticated transportation infrastructure. The new political environment eases past tensions for these countries and all of them are preparing to take advantage of the increased opportunities that renewed international trade and investment will bring to South Africa.

From 1984 to FY 1994, ADF funded 21 projects in Botswana, 16 projects in Lesotho, and 43 projects in Zimbabwe. ADF has supported projects that emphasize skills training and employment creation, agricultural production, rural industry, and credit for micro-enterprises.

The Foundation plans to obligate \$1.5 million in the region for FY 1996 for the above listed types of activities.

### **The FY 1996 Research and Dissemination**

The legislation creating the Foundation lists among its functions ..."disseminating to the American public and to the United States and multilateral development institutions insights gained from African development projects..." As a consequence, ADF has established a "learning and dissemination" program geared toward systematically documenting and disseminating the lessons it has learned. The three central components of this program are 1) Research, 2) Publications and Information Dissemination, and 3) Evaluation. Research and Dissemination are described below. A description of Evaluation will come under the budget section of In-Country Support.

#### **Research**

ADF provides grants for research initiated and conducted by African scholars, development professionals, students, and community groups. The Foundation supports "action research" geared toward improving the overall quality, efficiency, and sustainability of self-reliant development. By "action research," we mean the systematic efforts--in concert with local people and their perspectives--to document, understand, and attempt to resolve problems that impede development and self-reliance at the grassroots level.

ADF expects researchers to explore problems directly related to grassroots development and to make concrete recommendations helpful to local community project designers and implementors.

Beginning in FY 1995, funding will be limited to projects undertaken by citizens and/or permanent residents of countries in which ADF funds economic development projects. Each ADF research grant is

targeted toward a specific set of potential recipients and/or meets a specific need of the Foundation.

During FY 1995, the research program will develop a system for assessing the long-term impact of the research it funds once every two years and will put this system in place in FY 1996. The Foundation will obligate \$650,00 in FY 1996 to fund four categories of research grants.

ADF provides **Ba Applied Research Grants** to individuals who wish to study issues of direct significance to grassroots development. The minimum education requirement for a Ba grant principal researcher is a Bachelor of Arts degree or its equivalent. Technical training or professional experience may serve as a substitute for academic education. The **Ba Grant** is targeted toward non-academics and development practitioners.

The Foundation provides **Gray Senior Fellowships**. Gray Senior Fellowships go to senior African academicians and development professionals. Gray Senior Fellows' careers must reflect either a combination of study and work or longstanding experience. The researcher must live and work in Africa and have the endorsement of a local institution or organization. A Masters degree is the minimum requirement for Gray Fellows.

The Foundation provides **Knowledge Transfer Grants** to support African researchers, community developers, and institutions in sharing the results of research and development activities with their counterparts and with policymakers in local, regional, and international fora. These grants support either individuals or institutions in the organization of regional conferences, seminars, and workshops or in the production of publications and videotapes to address specific issues relevant to grassroots development.

In FY 1992, ADF began providing **Leland Development Grants** to individuals to conduct research on issues that are critical to self-reliant

development at the grassroots level. These grants are named in honor of the late Congressman George "Mickey" Leland. The minimum requirement for the Leland Grant principal researcher is a Bachelor of Arts degree.

### **Publications and Information Dissemination**

In FY 1996, the Foundation will continue expansion of its publication and information dissemination activities at a cost of \$70,000. The Foundation will produce a range of studies and reports specifically geared toward the needs and interests of a variety of target audiences. These documents will include:

- ADF description of all projects funded in FY 1995;
- A series of Evaluation Reports, published with permission of grantee;
- A series of Research Reports written by researchers funded by ADF; and
- A series of *Projects in Brief*, a quarterly series of brief analyses of selected ADF projects.

In addition, ADF will continue publication of its journal, *ADVANCE* which focuses on development from the perspective of the grassroots recipients and provides a vehicle for ADF grantees, African scholars, development professionals, and research fellows to share lessons learned and stimulate a dialogue among African development specialists, organizations, and village groups. *ADVANCE* is published once a year.

### **IN-COUNTRY PROGRAM SUPPORT IN FY1996**

The FY 1996 In-Country Program Support will be funded at \$3.285 million. Activities funded under this category include Country Liaison Officers (CLOs) at \$2.025 million; Technical Assistance (TA) at \$650,000; and Evaluation activities at \$610,000.

### **Country Liaison Officers (CLOs)**

ADF does not use expatriate Americans to staff its field offices. In furtherance of its participatory methodology, the Foundation employs indigenous African development professionals to serve as CLOs. CLO participation has become an essential component to more effective proposal analysis and timely project implementation. In FY 1996, the Foundation expects to enter into 16 cooperative agreements at an average cost of \$120,000. The number of cooperative agreements mirrors ADF's decision to reduce the number of total country programs by four in FY 1996.

### **Technical Assistance Providers**

ADF will also enter into cooperative agreements with local African technical experts to work with applicant groups to develop or strengthen their project proposals and to provide unanticipated assistance to groups that have already been funded. The cooperative agreements enable applicants and grantees to access technical expertise which they do not possess and enable the regional team to obtain information needed to present sound project proposals for funding consideration. This unit is in direct relationship to the CLO activity and impacts significantly upon the Foundation's development grants.

In FY 1993, the Foundation implemented its own Accounting Technical Assistance Program (ATAP). One purpose of the ATAP is to introduce a standard accounting system to grantees. The ATAP and its resulting standardization in the field have greatly benefitted ADF personnel and grantees.

## **Evaluation**

The Foundation operates a comprehensive project evaluation program whose goals are to assist grantees in evaluating their own projects and provide feedback to ADF's staff on its own performance and on the successes and failures of the groups and projects it has funded.

These evaluations are conducted through a network of African Resident Evaluators, African professionals committed to grassroots development. Evaluations are conducted using a participatory approach which involves the evaluators making repeated visits to the project from start to finish. The evaluators assist the grantees in evaluating their own progress and solving problems.

Resident evaluators prepare reports discussing the types of problems encountered and the solutions developed by the participants which become part of ADF's Learning and Dissemination program. In addition to measuring objective indicators of project success, the evaluation program also attempts to examine more elusive, but important, factors such as sustainability, local control, and capacity building. The results of the evaluations, with the permission of the grantee, are made available to others interested in grassroots development.

## **MANAGEMENT AND OPERATIONS**

The Foundation's Management and Operations budget for FY 1996 is \$4.6 million. This figure represents approximately 26% of the Foundation's total budget. In FY 1996, as in years past, macro-economic factors will have a profound impact on the costs of doing business in Africa in general and in ADF funded countries in particular. ADF expects the devaluation of the CFA franc to continue to have a profound impact on the national economies of the related countries.

ADF can also expect increased costs for transportation, communications, and equipment. The costs of transportation in most African countries are high--if not exorbitant. ADF must rely on primarily on four modes of communication: telephone, telex, fax, and DHL courier. There is significant variation across ADF funded countries. Nonetheless, ADF is confident that with the requested level of funding, the Foundation will continue to *decrease* the proportion of its budget spent on program support from the 28% to 26%.

## A DECADE OF MAKING A DIFFERENCE

In November 1993, the African Development Foundation (ADF) began a self-initiated critical assessment of the results of its development grant program over the previous ten years. ADF's principal reason for undertaking this assessment were to:

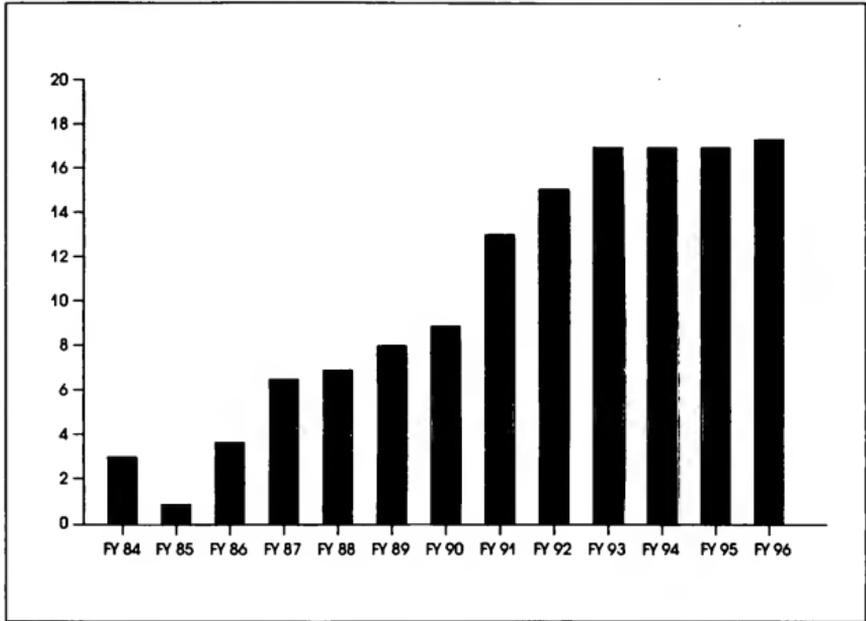
- Assess the broad impact of its programs;
- Determine which aspects of its programs and procedures work well and which aspects were in need of improvement; and
- Systematically document its "lessons learned" and to share them with outside audiences.

To maximize objectivity, the actual work of the assessment was performed by an "Assessment Review Committee." The Committee was made up of academicians, congressional staff, an analyst from the General Accounting Office (GAO); and a representative from the Office of Technology Assessment (OTA).

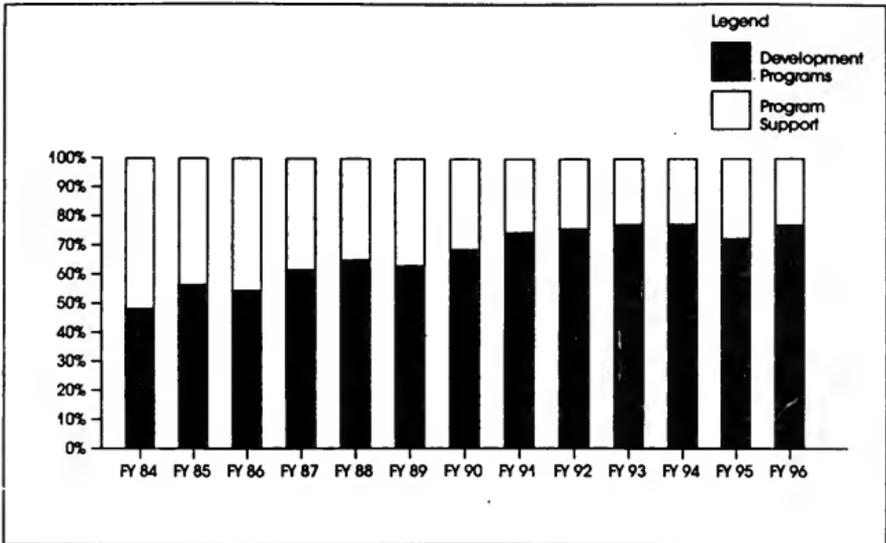
The Committee oversaw the review of more than 200 grants and found that the majority of ADF projects were meeting their stated goals and objectives. It also found that ADF development grant projects, in most cases, are producing tangible benefits for participants and their communities. In both cases, however, the reviewers encountered difficulties in terms of the information available in the files.

After the desk review, a field study was conducted for the purpose of getting a complete picture of the impact of ADF project funding. In terms of broad issues addressed by the study, the field teams found that:

- 65% percent of the projects studied had high to moderate economic impact on participants and grantees, i.e., most ADF projects produce increased income and/or material benefits for participants.
- Most projects had high to moderate social impact, i.e., more than half of ADF projects increase skills and knowledge of participants through training and technical assistance.
- 81% of the projects had high to moderate participation in project implementation, i.e., for the vast majority of ADF projects, participants are actively involved in implementation of project activities.
- Most ADF projects are producing sufficient income and have sufficient management capabilities to continue to produce benefits for participants after ADF funding has ended.

**ADF IN NUMBERS****ADF Funding: FY 1984 - FY 1996**  
**(In millions of dollars)**

**ADF Development Programs and Program Support:  
FY 1984 - FY 1996  
(In percentages)**



**ADF Development Grants by Country:  
FY 1984 - FY 1994**

Benin	17	\$2,477,538
Botswana	21	\$1,390,005
Cameroon	24	\$2,505,302
Cape Verde	6	\$982,604
Central African Republic	6	\$538,243
Congo	16	\$1,566,459
Egypt	2	\$171,262
Ghana	22	\$2,986,341
Guinea	14	\$2,049,369
Kenya	17	1,729,274
Lesotho	16	\$927,935
Liberia	6	\$317,890
Mali	21	\$3,086,408
Niger	28	\$2,309,183
Rwanda	13	\$1,567,433
Sao Tome and Principe	3	\$183,173
Senegal	26	\$3,440,360
Sierra Leone	23	\$2,777,928
Somalia	6	\$394,726
Tanzania	30	\$3,317,362
Togo	18	\$1,957,815
Uganda	15	\$2,310,245
Zambia	21	\$1,580,743
Zimbabwe	43	\$4,852,140
Total	415	\$45,419,738

**ADF Development Grants by Region:  
FY 1984 - FY 1994**

The Sahel	75	\$8,835,951
West Africa I	48	\$5,765,327
West Africa II	61	\$8,049,439
East Africa	73	\$7,200,671
Central Africa	59	\$6,177,450
Southern Africa	99	\$7,957,578
Total	415	\$45,419,738

## ADF Development Grants by Country and Year: FY 1985 - FY 1994

Mali	3	2	1	2	1	—	1	3	4	3
Niger	4	1	1	13	3	2	—	—	—	3
Senegal	—	5	2	4	2	1	4	1	4	3
Cape Verde	—	—	—	—	—	—	—	—	4	2
Guinea	—	2	—	—	1	—	4	—	3	4
Liberia	—	1	2	—	2	—	—	—	—	—
Sao Tome and Principe	—	—	—	—	—	2	—	—	—	—
Sierra Leone	1	2	2	—	2	2	7	3	2	2
Benin	—	2	1	2	—	—	3	2	1	6
Ghana	1	2	1	—	1	1	4	3	6	3
Togo	1	—	6	1	4	2	2	2	—	—
Egypt	1	—	—	—	—	—	1	—	—	—
Kenya	11	2	—	2	1	—	1	—	—	—
Somalia	—	2	2	—	1	1	—	—	—	—
Tanzania	—	4	3	3	3	2	7	4	1	3
Uganda	—	—	—	—	—	—	—	4	7	4
Cameroon	—	2	1	3	1	3	2	—	1	11
Ken. Afr. Republic	—	—	—	—	—	—	—	5	1	—
Congo	—	—	—	1	2	—	4	5	1	3
Rwanda	2	1	—	—	2	2	2	2	1	1
Botswana	1	1	2	1	1	2	3	3	3	3
Lesotho	—	—	1	1	4	—	2	1	—	2
Zambia	2	2	—	1	3	3	1	2	3	3
Zimbabwe	3	8	2	4	4	3	2	3	8	6

## ADF Development Grant Obligations by Country and Year: FY 1987 - FY 1994

Mali	\$180,693	\$291,334	\$22,773	—	\$50,476	\$532,534	\$774,943	\$561,100
Niger	\$117,633	\$704,736	\$320,674	\$487,391	—	—	—	\$326,165
Senegal	\$269,388	\$124,600	\$407,014	\$30,160	\$641,074	\$151,929	\$597,351	\$556,516
Cape Verde	—	—	—	—	—	—	\$618,344	\$364,260
Guinea	—	—	\$19,332	—	\$733,366	—	\$345,632	\$539,237
Liberia	\$143,166	—	\$64,664	—	—	—	—	—
Sao Tome and Principe	—	—	—	\$35,000	—	—	—	\$148,173
Sierra Leone	\$494,666	—	\$142,754	\$281,194	\$286,607	\$471,135	\$424,869	\$417,153
Benin	\$145,757	\$338,967	—	—	\$280,850	\$384,945	\$160,486	\$936,562
Ghana	\$210,499	—	\$107,168	\$234,124	\$478,024	\$379,435	\$1,063,703	\$377,300
Togo	\$449,674	\$10,409	\$404,218	\$215,086	\$411,886	\$283,368	—	—
Egypt	—	—	—	—	\$21,600	—	—	—
Kenya	—	\$459,572	\$18,366	—	\$71,759	—	—	—
Somalia	\$182,195	—	\$5,640	\$80,894	—	—	—	—
Tanzania	\$268,291	\$221,655	\$251,268	\$51,408	\$996,825	\$328,712	\$212,430	\$519,477
Uganda	—	—	—	—	—	\$548,666	\$1,176,837	\$545,133
Cameroon	\$238,639	\$405,079	\$142,228	\$517,844	\$470,764	—	\$168,789	\$386,795
Cent. Afr. Republic	—	—	—	—	—	\$494,307	\$43,936	—
Congo	—	\$59,202	\$34,522	—	\$508,661	\$758,764	\$94,463	\$110,847
Rwanda	—	—	\$254,287	\$319,454	\$145,663	\$231,669	\$71,760	\$154,679
Botswana	\$38,405	\$92,505	\$99,878	\$176,649	\$148,081	\$80,409	\$281,137	\$309,494
Lesotho	\$105,538	\$181,134	\$128,438	—	\$128,674	\$67,669	—	\$178,880
Zambia	—	\$14,923	\$312,366	\$173,557	\$19,548	\$165,738	\$335,920	\$317,411
Zimbabwe	\$353,270	\$342,571	\$431,734	\$272,744	\$191,874	\$307,106	\$1,050,986	\$1,090,397

**ADF Research Grants by Country:  
FY 1986 - FY 1994**

Benin	3	\$96,387
Burkina Faso	5	\$217,962
Cameroon	6	\$235,015
Cape Verde	1	\$69,572
Congo	3	\$114,389
Egypt	1	\$46,855
Ethiopia	2	\$37,713
Ghana	15	\$391,828
Guinea	2	\$41,810
Ivory Coast	1	\$22,542
Kenya	5	100,013
Lesotho	3	\$63,069
Mali	3	\$134,132
Malawi	2	\$44,672
Nigeria	17	\$478,869
Niger	2	\$40,617
Rwanda	3	\$73,822
Senegal	5	\$143,041
Sierra Leone	4	\$181,656
Somalia	2	\$70,175
Sudan	3	\$40,878
Swaziland	3	\$89,756
Tanzania	7	\$196,471
Uganda	14	\$455,128
Zaire	1	\$20,500
Zambia	4	\$94,302
Zimbabwe	6	\$153,028
Total	123	\$3,654,202

# **INTER-AMERICAN FOUNDATION**



**BUDGET SUBMISSION FOR  
APPROPRIATIONS FOR FY 1996**

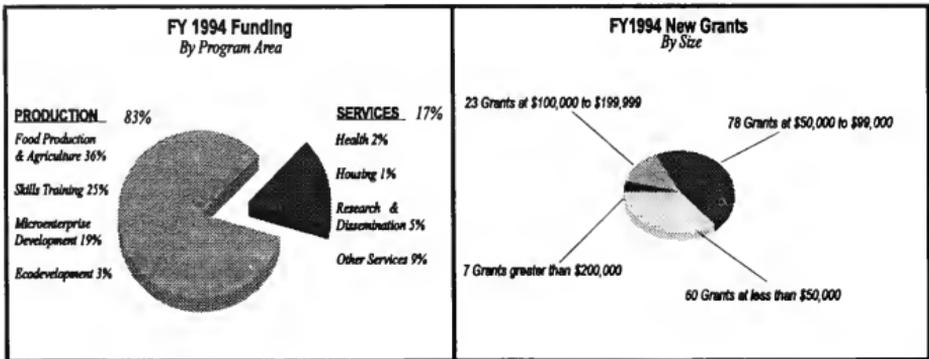
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## THE INTER-AMERICAN FOUNDATION

The Inter-American Foundation (IAF) is a unique, independent executive agency established by Congress in 1969 to promote private sector self-help grassroots development. The IAF has a bipartisan board of directors, comprised of leaders from both the public and private sectors. Congress provided the IAF with a mandate to be innovative and to directly support private sector organizations that help the poor solve their own problems. The IAF is a model for successful, innovative sustainable development which enhances civil society goals in the Western Hemisphere in a cost effective manner. The IAF promotes democracy, political stability, and free enterprise which inures to the benefit of U.S. trade and national interests. These basic propositions guide the IAF's work:

- **THE IAF EFFECTIVELY CHANNELS FUNDS TO THE PRIVATE SECTOR, NOT GOVERNMENTS.** The IAF makes small grants to vibrant private sector organizations. Grants are closely monitored and audited, ensuring financial accountability and enhanced project quality.
- **THE IAF SUPPORTS THE ENTREPRENEURIAL SPIRIT.** The IAF makes grants to private sector organizations with proven leadership, a track record, and innovative ideas, which invest and risk their own local resources.
- **IAF PROJECTS ACHIEVE BROADER IMPACT THROUGH A MULTIPLIER EFFECT.** Small projects supported by the IAF demonstrate successful approaches which are adopted and expanded by local institutions, and larger bilateral and multilateral organizations.
- **IAF GRANTS HELP THE POOR OBTAIN EMPLOYMENT AS WELL AS SUPPORT ENTREPRENEURSHIP.** Projects supported by the IAF create opportunities for the poor to acquire skills and accumulate capital, opening the way for their participation in the mainstream economy.

The IAF program increases political stability and promotes free enterprise, food production, and agricultural activities throughout the Western Hemisphere. In fiscal year 1994, 83% of IAF grants supported productive activities. The remaining 17% provided complementary health, housing, education, and other services. The IAF's average grant size is \$70,000.



## FOCUS OF THE INTER-AMERICAN FOUNDATION

Drawing on 25 years of sustainable self-help development experience, the IAF builds local capacity by funding and working closely with local organizations. Increasingly, the IAF is mobilizing local private and public sector resources to support local self-help development initiatives.

### AREAS OF CONCENTRATION:

- **LEVERAGE NEW RESOURCES FOR SUSTAINABLE DEVELOPMENT** from local corporations, banks, philanthropic organizations, public institutions, and other international organizations.
- **TRANSFER THE IAF'S SUCCESSFUL METHODOLOGY** to local private and public institutions, and larger donor agencies interested in promoting sustainable grassroots development.
- **SCALE UP PROGRAMS** by combining new resources with IAF's grant technology to ensure that the poor have an opportunity for upward mobility. These programs create jobs, increase skills, enhance productive capacities, expand access to capital, and facilitate the participation of poor families in new markets.

### CURRENT SUCCESSES INCLUDE:

**CREDIT/JOB CREATION ... Cooperativa Microempresarial "Emprender."** With an IAF grant of \$265,000, Emprender leveraged additional public and private sector financing to award 200,000 loans, totaling \$27 million, to 55 microenterprises in Colombia.

**INCREASING INCOMES ...** With an IAF grant of \$260,000 ASPECAGUA, a Guatemalan association of 2,200 small-scale farmers, marketed 400,000 pounds of coffee, increasing members' income by 20%.

**LEVERAGING LOCAL RESOURCES ... The Inter-American Foundation-Venezuelan Petroleum Company (PDVSA) Joint Venture.** Since 1992, the IAF has carried out most of its grantmaking in Venezuela through a joint venture with PDVSA. A three-year IAF investment of \$1.5 million has been matched by \$1.7 million from PDVSA and its affiliate companies to support 50 community projects benefiting thousands of low-income producers.

**PROMOTING FREE MARKETS ...** In Mexico, the IAF helped small-scale farmers to export 6,000 tons of coffee in 1994, secured new markets under their own brand name, Aztec Harvests, with Ben and Jerry's ice cream, and United Airlines.

**MOBILIZING INTERNATIONAL RESOURCES ... The Andean and Mexican Consortia for Grassroots Development** is designed to mobilize and leverage resources for small-scale projects. Led by the IAF, the Consortia are negotiating with Venezuelan Petroleum and the Inter-American Development Bank's Multilateral Investment Fund for over \$30 million to support projects in the Andean region, rural Mexico, and along the US-Mexico border.

## WHY THE IAF SHOULD BE AN INDEPENDENT AGENCY

### The Inter-American Foundation's Visionary Structure

The Inter-American Foundation ("IAF") is an independent U.S. Government agency with a mission focused exclusively on providing development assistance directly to people at the grassroots level. It is governed by a bipartisan Board of Directors consisting of six private and three public sector members that includes at least one senior level State Department official. This gives the IAF the benefit of the private sector's entrepreneurial expertise while ensuring that its programs are consistent with U.S. national interests. Board members are not compensated, so their service is based solely on their interest and commitment to the IAF's mission.

While the IAF operates independently, it is subject to oversight and control by the Office of Management and Budget ("OMB") and Congress. OMB and Congress determine and oversee the IAF's budget. Descriptions of all grants are submitted to Congress for review before they are awarded. Also, in each country in which the IAF works, the U.S. Ambassador and the host country Ambassador to the U.S. receive descriptions of grants awarded by the IAF in that country.

### Advantages of Working as an Independent Agency

As an independent executive agency, the IAF does not channel its resources through governments, and thus avoids the red tape and bureaucratic factors inherent in government-to-government programs. The IAF can respond quickly to private sector grassroots development initiatives based only on their merit and potential to achieve goals set by the people involved. The IAF can therefore support innovative new ideas and terminate projects that do not work based exclusively on programmatic factors. These factors distinguish the IAF from government-to-government development agencies. If consolidated into the State Department or any other agency which carries out government-to-government programs, the IAF would be encumbered by government-to-government political, policy, and diplomatic factors which would preclude the IAF from making decisions based exclusively on programmatic considerations. This would seriously dilute the IAF's effectiveness and ability to support innovative, private sector, sustainable development programs.

The IAF places paramount emphasis on self-help and the economic self-sufficiency of its grantees. Historically, grantees have raised \$1.30 in counterpart funds for every \$1.00 invested by the IAF. The IAF is now aggressively pursuing the goal of mobilizing local private and public sector resources for grassroots development to lessen dependence on U.S. foreign assistance. It is also working with international private sector donors and multi-lateral banks to leverage additional resources. Over the next five years, the IAF projects that, if its grant budget remains at \$30 million annually for a total of \$150 million for the five-year period, an additional \$255 million can be leveraged. This figure includes increasing amounts from local private businesses and governments. If the IAF is absorbed into the State Department or any other government-to-government agency, it will lose its identity and credibility as an independent agency focused solely on private sector sustainable development. This will seriously impede, if not destroy, the IAF's ability to enter into co-financing arrangements with other international and local private organizations to leverage additional funds.

**EXECUTIVE SUMMARY -- INTER-AMERICAN FOUNDATION BUDGET  
SUBMISSION FOR APPROPRIATIONS FOR FISCAL YEAR 1996  
AND PROGRAM HIGHLIGHTS FISCAL YEAR 1994**

**I. Narrative**

**A. Priorities and Goals**

The Inter-American Foundation's ("Foundation") Fiscal Year 1996 program is one that the American people can be proud of -- an agile, low-cost, effective partnership between government and the private sector to promote local economic growth throughout the Western Hemisphere. The Foundation's historical advantage is based upon its work in forming partnerships with the poor in support of self-help efforts. The Foundation will continue funding programs based upon its long standing program priorities -- promoting democratic values and entrepreneurship, furthering private sector and small business development, and fostering stability in the region.

The Foundation is, however, poised to consolidate its success by expanding its efforts to support creative new alliances and configurations which build on local capacity, and attract important Latin American, Caribbean, and international entities to work in partnership with the Foundation. Specifically, the Foundation will expand initiatives designed to mobilize new local public and private sector resources in order to influence the way larger agencies spend their development dollars, and scale-up development efforts to increase productive capabilities for a greater number of the poor. A full description of these initiatives is attached hereto as Attachment A.

Local resource mobilization is incipient in many of the countries where the Foundation operates. Significant financial investments on the part of the Foundation are necessary to attract counterpart funding from local corporate or government donors and build a local culture of philanthropy and support for grassroots development. Accordingly, full support for the Foundation's FY 1996 budget request will enable the Foundation to realize its goal of forming true partnerships and to lessen dependence on foreign assistance. These investments in private-public partnerships will ultimately yield long-term dividends by substituting local funding for U.S. foreign assistance, enabling the Foundation to adopt a regional rather than a country-by-country funding approach, thereby reducing dependency on external resources.

**B. The Budget Request**

The Foundation is planning a FY 1996 budget of \$39.2 million utilizing 82 full-time employees. Obligations will include \$7.5 million in Social Progress Trust Fund ("SPTF")

resources and \$31.7 million in appropriated funds. A complete description of the Foundation's planned FY 1996 program is contained at Tab 4.

Food production, micro-enterprise development, education and training, micro-development funds, and eco-development will comprise approximately 81 percent of the major program areas for FY 1996.

Foundation supported projects in the area of agriculture (totalling \$6,619,270) will emphasize food production, processing and marketing to improve incomes and promote rural development. Enterprise development programs (totalling \$3,837,460) will emphasize small business development that generates income and jobs and develops productive capabilities. Education and training programs (totalling \$4,434,710) will focus on developing management, administrative, and technical skills.

Resources will also be committed towards documenting the results of the Foundation's programs. Using the Grassroots Development Framework, a methodology designed to measure the results of Foundation-supported programs, the Foundation is developing a results data base to provide access to results across a variety of programs.

As mentioned in Section A, an increasing emphasis of the Foundation's program, reflected in its program planning for FY 1996, is to promote local philanthropy through its outreach efforts by fostering alliances with local private sector and public sector organizations. During FY 1996, a total of \$4.8 million will be committed to joint ventures with local and multilateral institutions, expecting to leverage \$9.0 million in local resources. The Foundation is currently negotiating with the Inter-American Development Bank's Multilateral Investment Fund (MIF) to leverage an additional \$21.0 million to support grassroots development programs in the Andean Region and \$8.0 million to support grassroots development programs in Mexico.

The Foundation's emphasis in these priority areas will build upon its successes. As a result of Foundation programs, many former Foundation grantees have become leaders in Latin American democracies. In addition, the Foundation has been instrumental in promoting microenterprise lending and microentrepreneurs throughout the region. Continued success will be thwarted, if the Foundation's FY 1996 program request is not fully supported.

## MOBILIZING LOCAL RESOURCES

**The Andean Consortium for Grassroots Development.** The Consortium will mobilize new local and international resources for grassroots development and will scale up funding for development projects through a network of "franchise" arrangements with grassroots funding organizations in each country. Initial funding will come from the Foundation and Venezuela Petroleum. The Consortium is currently negotiating with the Inter-American Development Bank's Multilateral Investment Fund for \$21 million to be channeled through it to grassroots, income-generating projects during the first year of operation. Other expressions of interest in funding the Consortium have come from Canadian, Spanish, and other Venezuelan entities.

**The Mexican Consortium for Grassroots Development.** Formed by the Foundation and four non-governmental technical assistance organizations, the Consortium will fund self-help initiatives of the poor, provide technical services to funders, and analyze and report on the results and impact of the initiatives. The Consortium will secure funding from local and international sources and channel resources and technical assistance to hundreds of NGOs throughout the country. The Foundation has been encouraged by staff of the Multilateral Investment Fund (MIF) of the IDB to submit a proposal for \$10 million and has begun discussions with the North American Development (NAD) Bank to link NAD Bank and MIF funding through the Consortium.

**The Andean Network of Philanthropy Centers.** In 1994, the Colombian Center for Philanthropy was established between the Foundation and the Fundación Social, the first of an anticipated five-country network of centers for the promotion of local, private, individual and corporate philanthropy in Latin America. Already, the Colombian Center has leveraged \$1.7 million to create a fund to support grassroots development. In addition, it is also working with two large multinational corporations and an association of private companies in Colombia to manage endowments, where the proceeds will be used to finance development projects.

**Fundación Antorchas.** In Argentina, the Foundation has entered into a cooperative agreement with this private foundation, establishing a matching fund of \$200,000 to support networks of urban community organizations and lay the groundwork for promoting a broader philanthropic effort in the country.

**Association for Environmental Preservation (ANCON), Panama.** The Foundation has joined forces with ANCON and the Continental Bank to establish a credit fund to support environmentally-sound, sustainable development projects in Panama. Through 1996, partners' contributions are expected to total \$690,000, and will be utilized to leverage additional monies for similar projects elsewhere in the country.

## INFLUENCING PUBLIC SECTOR RESOURCES AND PROGRAMS

**The Inter-American Foundation - Venezuela Petroleum Company (PDVSA) Joint Venture.** Since 1992, the Foundation has carried out most of its funding operations in Venezuela through a joint venture with PDVSA. While grant making decisions are made jointly by Foundation and PDVSA staff, Foundation project-selection criteria and funding methods are used. To date, PDVSA has contributed nearly \$1.5 million to this venture. Beginning in 1995, PDVSA will contribute to broader Andean Regional initiatives, including the Andean Learning and Dissemination Network being developed by the Foundation. In 1995, PDVSA plans to promote the involvement of its affiliated oil companies in the Foundation - PDVSA program.

**Mesa de Concertación, Córdoba, Argentina.** With financial support from the Foundation, this consortium of 92 community associations and four non-governmental, technical support organizations leveraged \$5 million from the municipal, provincial, and national governments in 1993-94. These resources were used for 101 community projects in land purchase, housing construction, and basic services, benefiting 12,000 low-income families. An additional \$20 million has been leveraged for similar projects in 1995. The Foundation is supporting the efforts of the Mesa to disseminate its experience more widely within Argentina.

**Sector Social Investment Fund (FOSIS) in Chile.** In Chile, the Foundation is working with FOSIS, a public sector agency with an annual operating budget of \$40 million, to help its management develop methodologies for tracking the results of its programs and determining effective models to combat urban poverty.

**Social Investment Fund (FISE) in Ecuador.** In collaboration with the Ecuadorian Foundation for Ecology, the Foundation recently signed a letter of intent with the Ecuadorian government to co-fund grassroots development projects, with FISE contributing up to \$250,000 in the first year.

## INFLUENCING OTHER DEVELOPMENT AGENCIES

**The Inter-American Foundation - World Bank Initiative, Peru.** The Foundation is currently negotiating an agreement with the World Bank wherein the Foundation will coordinate with Peruvian NGOs in the design and implementation of a multi-million dollar program to improve financial services for the rural poor.

**Joint ventures with US funders.** The Foundation has signed joint ventures with several U.S. funders, including the International Youth Foundation, the MacArthur Foundation, and the Nature Conservancy to coordinate and expand operations in several Latin American countries. These agreements are

establishing new development funds which are leveraging additional local and international contributions for youth, environmental, and other projects. For example, the Foundation's agreement with the International Youth Foundation agreement for Venezuela has already mobilized \$100,000 from a Spanish donor agency, CODESPA, and the Bernard Van Leer Foundation of The Netherlands has also expressed interest in entering the agreement.

**Instituto Ecuémico/Bolivia.** The Foundation and the Instituto Ecuémico are exploring ways to join forces to make more efficient use of their limited resources to support income-generating projects among the poor. The two agencies approach the agreement offering distinct, yet complementary services: the Foundation makes grants, while the Instituto, which manages a portfolio of some \$6 million, can provide only loans. In dealing with economic projects for very poor people, sometimes neither response is entirely adequate. By working together under a formal agreement, the two entities will be able to jointly assess the specific needs of prospective beneficiary organizations and agree to provide a loan, a donation, or a combination.

**Mexico Border Initiative.** Responding to exciting opportunities to support local development on the border, the Foundation has commissioned an inventory of NGOs working on the Mexico side of the border in the types of programs which the Foundation traditionally supports. The effectiveness of these organizations is being assessed through application of the Grassroots Development Framework. The Foundation will use this validated list of organizations to leverage support for border investment from the private sector and a variety of international funders currently asking for Foundation recommendations.

**Haiti Funders' Consortium.** In Haiti, the Foundation is discussing participation in the development of a consortium of grassroots-oriented donors, all European except for the Foundation. This consortium will leverage resources from international organizations and private sources to meet large requests to recapitalize productive projects of thousands of peasant farmers in Haiti.

**FY 1996 JUSTIFICATION FOR  
CONGRESSSIONAL APPROPRIATIONS**

APPROPRIATED FUNDS  
PROGRAM AND FINANCING INFORMATION  
(\$ in thousands)

	Prior Years	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996
Budget Authority														
Transferred from other Accts	50,000 *	-	-	-	1,700	-	-	-	-	-	-	-	-	-
Appropriated	50,408	13,000	11,992	11,454	11,900	13,000	16,800	16,932	25,000	24,830	30,980	30,980	30,980	31,760
Sequestered	-	-	-	-	-	-	-	(73)	-	-	-	-	-	-
Total Budget Authority	100,408	13,000	11,992	11,454	13,500	13,000	16,800	16,859	25,000	24,630	30,980	30,980	30,980	31,760
Amt Available - Prior Years	7,392	1,239	1,810	688	1,023	2,514	1,910	1,110	287	1,065	1,492	2,468	3,356	3,358
Total	107,760	14,239	13,602	12,122	14,823	15,514	18,510	17,969	25,287	26,295	32,482	33,428	34,316	35,116
Recoveries	1,831	507	506	597	478	432	397	408	424	53	518	383	-	-
Total	109,621	14,746	14,107	12,819	14,999	16,846	18,907	18,377	25,711	26,348	32,970	33,811	34,316	35,116
Obligations	101,658	13,136	13,439	11,798	12,485	13,743	17,787	16,090	24,048	24,858	30,502	30,455	30,980	31,760
Balance	7,963	1,610	668	1,023	2,514	2,203	1,110	287	1,865	1,492	2,468	3,356	3,356	3,356

\*CBI Funds

\*\*PL99-349

**PROGRAM and ADMINISTRATIVE OBLIGATIONS**  
**FY 1971 – 1994**  
**(\$ in thousands)**

Fiscal Year	Program		Administrative		Total	Total (1971 Dollars)
	Obligations		Obligations			
1971	\$ -		\$ 376	100%	\$ 376	376
1972	2,794	71%	1,125	29%	3,919	3,762
1973	2,998	67%	1,482	33%	4,480	4,077
1974	12,704	89%	1,604	11%	14,308	11,733
1975	13,650	88%	1,889	12%	15,539	11,654
1976 *	12,592	83%	2,552	17%	15,144	10,752
1977	15,244	87%	2,181	13%	17,425	11,501
1978	12,185	85%	2,219	15%	14,404	8,498
1979	17,358	87%	2,488	13%	19,846	10,915
1980	22,962	89%	2,943	11%	25,905	12,693
1981	22,587	87%	3,330	13%	25,917	11,403
1982	22,410	86%	3,631	14%	26,041	10,937
1983	18,913	83%	3,894	17%	22,807	7,982
1984	19,221	82%	4,095	18%	23,316	8,860
1985	24,709	85%	4,465	15%	29,174	11,377
1986	22,009	82%	4,678	18%	26,687	10,408
1987	22,254	83%	4,406	17%	26,660	8,006
1988	23,646	83%	4,769	17%	28,415	**
1989	25,516	84%	5,031	16%	30,547	**
1990	23,173	81%	5,510	19%	28,683	**
1991	31,322	85%	5,730	15%	37,052	**
1992	26,390	79%	7,083	21%	33,473	**
1993	30,562	81%	7,184	19%	37,746	**
1994 /_1.	30,117	79%	7,992	21%	38,109	**
<b>Total</b>	<b>\$ 455,316</b>	<b>83% ***</b>	<b>\$ 90,657</b>	<b>17%</b>	<b>\$ 545,973</b>	<b>\$ 154,934</b>
1995 /_1.	30,402	78%	8,664	22%	39,066	
1996 /_1.	30,594	78%	8,605	22%	39,199	
<b>GRAND TOTAL</b>	<b>\$ 516,312</b>	<b>83%</b>	<b>\$ 107,926</b>	<b>17%</b>	<b>\$ 624,238</b>	

\* In 1976 the beginning of the fiscal year was changed from July 1 to October 1. Consequently, FY 1976 covered a 15-month period.

\*\* Information unavailable at this time.

\*\*\* Includes approximately \$40 million dollars for fellowships and other program expenses.

/\_1. Beginning in FY 1994 obligations shown in the administrative column reflect program management and operations cost.

## SUMMARY BUDGET DATA

OBLIGATIONS  
(\$ in thousands)

	PRIOR YEARS THRU FY 1993	DURING FY 1994	FY 1995 PRESIDENT'S BUDGET	FY 1996 PRESIDENT'S BUDGET
APPROPRIATED				
Program	\$188,658	\$22,463	\$22,296	\$23,110
/_1. Program Management	72,934	7,992	8,664	8,650
Sub-Total	261,592	30,455	30,960	31,760
SPTF	192,911	7,654	8,106	7,484
CBI	2,000	-	-	-
P.L. 99-349	1,682	-	-	-
GRAND TOTAL	\$458,185	\$38,109	\$39,066	\$39,244

EXPENDITURES  
(\$ in thousands)

	PRIOR YEARS THRU FY 1993	DURING FY 1994	FY 1995 PRESIDENT'S BUDGET	FY 1996 PRESIDENT'S BUDGET
APPROPRIATED				
Program	\$169,095	\$20,758	\$19,755	\$20,181
Program Management	75,063	7,511	9,429	8,652
Sub-Total	244,158	28,269	29,184	28,833
SPTF	191,667	7,165	13,312	10,463
CBI	2,000	-	-	-
P.L. 99-349	1,353	-	-	-
GRAND TOTAL	\$439,178 *	\$35,434 *	\$42,496 *	\$39,296 *

\* Totals include disbursements of all SPTF monies. Lower figures are shown for net outlays in the President's budget because the offsetting collections are subtracted.

/\_1. Beginning in FY 1994 obligations reflect program management and operations cost.

**DETAIL OF OBJECT CLASSIFICATION**  
**(\$ in thousands)**

OBJECT CLASS	CATEGORY	FY 1994 ACTUAL OBLIG.	FY 1995 BUDGET	PROPOSED FY 1996 BUDGET
<u>STAFF SALARIES &amp; RELATED EXP.</u>				
11.1	Full-time Permanent	\$3,567	\$4,092	\$4,211
11.3	Other than Full-time Perm.	167	129	70
11.5	Other Personnel Compensation	72	85	90
11.9	Total Personnel Compensation	3,806	4,306	4,371
12.1	Civilian Personnel Benefits	<u>824</u>	<u>882</u>	<u>872</u>
13.0	Benefits for Former Personnel	<u>9</u>	<u>--</u>	<u>--</u>
21.0	Travel and Transportation of Persons	542	640	640
22.0	Transportation of things	42	53	53
<u>SUPPORT SERVICES</u>				
23.2	Rental Payments to others	601	645	661
23.3	Communications, Util., Misc.	299	328	318
24.0	Printing and Reproduction	159	180	169
25.1	Advisory and Assistance Svcs.	5,380	5,408	5424
25.2	Other Services	217	204	234
25.3	Services from Government Accts.	293	318	332
26.0	Supplies and Materials	104	111	111
31.0	Equipment	202	160	50
<u>GRANTS</u>				
41.0	Grants	25,631	25,831	26,009
<b>GRAND TOTAL</b>		<b>\$38,109</b>	<b>\$39,066</b>	<b>\$39,244</b>
<b>FULL-TIME EQUIVALENT POSITIONS AVAILABLE</b>		<b>74 **</b>	<b>82 *</b>	<b>82 *</b>

\* Represents Foundation's ceiling.

\*\* Represents actual FTE usage

DISTRIBUTION OF GRANTS BY COUNTRY IN FY 1994  
(\$ in thousands)

<u>Country</u>	<u>Amount</u>
Argentina	\$1,027
Bolivia	1,105
Belize	257
Brazil	2,302
Chile	1,202
Colombia	1,421
Costa Rica	871
Dominican Republic	1,112
Ecuador	1,323
El Salvador	1,953
Guatemala	1,348
Haiti	674
Honduras	1,229
Jamaica	115
Mexico	1,929
Nicaragua	1,220
Panama	1,563
Paraguay	710
Peru	1,341
Uruguay	745
Venezuela	547
Other Caribbean*	265
Caribbean Regional	125
Latin American Regional	355
<hr/> Total	<hr/> \$24,739

\* Dominica, Barbados, and St. Lucia.

GRANTS BY COUNTRY  
FY 1972 - FY 1994

<u>Country</u>	<u>Amount</u> <u>(\$ in thousands)</u>	<u>Number</u> <u>of Grants</u>
Chile	\$39,760	243
Colombia	31,910	273
Peru	29,637	197
Mexico	29,258	271
Brazil	29,509	298
Bolivia	23,463	212
Argentina	21,105	194
Paraguay	15,994	130
Dominican Republic	16,471	182
Uruguay	15,446	123
Ecuador	17,402	140
Guatemala	17,231	141
Honduras	15,794	128
Costa Rica	13,528	207
Panama	17,046	158
Haiti	10,197	107
Nicaragua	14,247	106
El Salvador	14,986	129
Venezuela	7,357	81
Jamaica	3,730	62
Belize	3,649	77
Dominica	2,282	75
Barbados	921	11
St. Vincent	746	12
St. Kitts-Nevis	541	6
Antigua	507	8
Grenada	540	17
Trinidad and Tobago	673	12
St. Lucia	678	12
Suriname	347	3
Guyana	294	7
Bahamas	144	7
Netherlands Antilles	126	2
Turks and Caicos	12	2
Anguilla	3	1
Montserrat	3	1
Latin American Regional	7,829	116
Caribbean Regional	6,491	59
<hr/> Total	<hr/> \$409,857	<hr/> 3,810

OTHER PROGRAM EXPENSES  
(\$ in thousands)

<u>PROGRAM ACTIVITY</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>	<u>FY 1992</u>	<u>FY 1993</u>	<u>FY 1994</u>
Fellowship Program	\$485	\$619	\$602	\$695	\$832	\$658	\$704	\$892
Development Education	-	-	41	130	44	49	-	34
Invitational Travel	7	21	6	8	6	50	17	10
Consultants (Other)	1,895	2,333	2,446	2,300	2,997	3,191	4,925	4,494
Printing	120	133	215	241	194	228	168	148
Consultants Publications	167	178	111	183	195	166	189	164
Postage	23	63	66	86	121	128	128	142
Technical Publications	3	6	3	3	1	3	-	0
Equipment	1	1	-	-	-	-	-	-
<b>Total</b>	<b>\$2,701</b>	<b>\$3,354</b>	<b>\$3,490</b>	<b>\$3,646</b>	<b>\$4,390</b>	<b>\$4,473</b>	<b>\$6,131</b>	<b>\$5,884</b>

ANALYSIS OF MATCHING FUNDS BY GRANTEES\*  
FOR ALL OBLIGATED PROJECTS  
AS OF SEPTEMBER 30, 1994

COUNTRY	FOUNDATION FUNDS	GRANTEE & OTHER FUNDS	TOTAL	GRANTEE AND OTHER FUNDS	
				AS % of TOTAL	AS % of FND. FUNDS
Anguilla	\$ 3	\$ 1	\$ 4	15%	17%
Antigua	507	545	1,052	52%	107%
Argentina	21,107	25,074	46,181	54%	119%
Bahamas	144	133	277	48%	92%
Barbados	921	1,358	2,279	60%	148%
Belize	3,649	6,685	10,334	65%	183%
Bolivia	23,465	22,978	46,443	49%	98%
Brazil	29,516	50,135	79,651	63%	170%
Caribbean Regional	6,491	10,427	16,918	62%	161%
Chile	39,767	48,735	88,502	55%	123%
Colombia	31,913	40,149	72,062	56%	126%
Costa Rica	13,528	20,822	34,351	61%	154%
Dominica	2,282	1,593	3,875	41%	70%
Dominican Republic	16,490	20,310	36,800	55%	123%
Ecuador	17,410	23,483	40,893	57%	135%
El Salvador	14,977	16,386	31,363	52%	109%
Grenada	540	1,201	1,741	69%	222%
Guatemala	17,232	19,928	37,160	54%	116%
Guyana	294	556	850	65%	189%
Haiti	10,197	27,232	37,429	73%	267%
Honduras	15,797	17,652	33,449	53%	112%
Jamaica	3,730	4,405	8,136	54%	118%
Latin Amer. Region	7,829	8,682	16,511	53%	111%
Mexico	29,263	41,834	71,097	59%	143%
Montserrat	3	0	3	0%	0%
Netherlands Antilles	126	99	225	44%	79%
Nicaragua	14,156	21,430	35,586	60%	151%
Panama	17,054	23,576	40,630	58%	138%
Paraguay	15,994	10,669	26,663	40%	67%
Peru	29,642	25,194	54,836	46%	85%
St. Kitts-Nevis	541	406	947	43%	75%
St. Lucia	678	606	1,284	47%	89%
St. Vincent	746	1,267	2,013	63%	170%
Suriname	347	491	838	59%	142%
Trinidad	673	784	1,457	54%	117%
Turks & Caicos	12	4	16	27%	37%
Uruguay	15,448	21,409	36,857	58%	139%
Venezuela	7,359	8,778	16,137	54%	119%
<b>TOTAL</b>	<b>\$ 409,831</b>	<b>\$ 525,020</b>	<b>\$ 934,851</b>	<b>56%</b>	<b>128%</b>

Since matching funds were not required on some evaluation projects, they have not been included in this report.

DISTRIBUTION OF FULL-TIME EMPLOYEES\*  
AS OF SEPTEMBER 30, 1994

Pay plan/ Grade	Salary Range	Number of Employees	Percent in Each Grade of Agency Total
<u>Presidential Appointee</u>			
Executive Level IV	(\$115,700)	<u>1</u>	<u>1.25%</u>
	Total	<u>1</u>	<u>1.25%</u>
GS/GM-15	(\$71,664 to \$93,166)	10	12.50%
GS/GM-14	(\$60,925 to \$79,200)	11	13.75%
GS/GM-13	(\$51,557 to \$67,021)	23	28.75%
GS-12	(\$43,356 to \$56,362)	9	11.25%
GS-11	(\$36,174 to \$47,025)	4	5.00%
GS-10	(\$32,926 to \$42,808)	-	-
GS-09	(\$29,898 to \$38,869)	7	8.75%
GS-08	(\$27,068 to \$35,185)	-	-
GS-07	(\$24,441 to \$31,770)	7	8.75%
GS-06	(\$21,995 to \$28,592)	5	6.25%
GS-05	(\$19,732 to \$25,656)	3	-
GS-04	(\$17,637 to \$22,925)	-	-
GS-03	(\$15,711 to \$20,429)	-	-
	Total	<u>79</u>	<u>98.75%</u>
	Ungraded	<u>0</u>	<u>0.00%</u>
	Grand Total	80	100.00%

\*Includes actual advertised vacancies and projected classifications of other vacant positions.

## Inter-American Foundation Funding History

## A. Congressional Appropriations

1. In the 1969 enabling legislation, Congress authorized the transfer of \$50 million in appropriated funds to remain available until expended.
2. Each year Congress established annual obligation limits (e.g. in FY 1978 the limit was \$7,062,000) on the \$50 million authorization.
3. At the end of FY 1978, all but \$4,654,000 of the \$50 million had been obligated.
4. In FY 1979, Congress appropriated an additional \$10 million.
5. For FY 1980, a continuing resolution limited appropriations at \$12,582,000.
6. For FY 1981, the level was \$15,964,000. In early March, the Office of Management and Budget reduced that by \$138,000 to \$15,826,000.
7. For FY 1982, the Foundation's appropriation was \$12,000,000.
8. For FY 1983, a continuing resolution limited appropriations at \$12,000,000. An additional \$2,000,000 was available from funds allocated for the Caribbean Basin Initiative.
9. For FY 1984, the Foundation's appropriation was \$13,000,000.
10. For FY 1985, a continuing resolution limited appropriations at \$11,992,000.
11. For FY 1986, a continuing resolution limited appropriations at \$11,969,000. The Gramm-Rudman-Hollings legislation reduced this amount by \$515,000 to \$11,454,000.
12. For FY 1987, a continuing resolution limited appropriations at \$11,800,000. (One million dollars of this amount was specifically earmarked for Haiti.)

13. For FY 1988, a continuing resolution limited appropriations at \$13,000,000.
14. For FY 1989, the Foundation's appropriation was \$16,600,000.
15. For FY 1990, the Foundation's appropriation was \$16,932,000. The G-R-H legislation reduced this amount by \$73,000 to \$16,859,000.
16. For FY 1991, the Foundation's appropriation was \$25,000,000.
17. For FY 1992, the Foundation's appropriation was \$25,000,000. This amount was reduced by \$370,000 to \$24,630,000.
18. For FY 1993, the Foundation's appropriation was \$30,960,000.
19. For FY 1994, the Foundation's appropriation was \$30,960,000.
20. For FY 1995, the Foundation's appropriation is \$30,960,000.
21. For FY 1996, the Foundation's request is \$31,760,000.

#### B. Social Progress Trust Fund

1. SPTF monies are allocated by country and restricted for use in the following areas: land use, housing, sanitation, education, health, income generating activities, and technical assistance to each area of use. Since 1974, the United States Government and the Inter-American Development Bank have executed seven consecutive three-year agreements providing a total of \$292.3 million of SPTF monies to the IAF.

1974 - 1976	\$31.0 million over 3 years
1977 - 1979	\$48.0 million over 3 years
1980 - 1982	\$48.0 million over 3 years
1983 - 1985	\$48.0 million over 3 years
1986 - 1988	\$48.6 million over 3 years
1989 - 1991	\$44.1 million over 3 years
1992 - 1994	\$24.6 million over 3 years

TOTAL \$292.3 million

2. The current agreement expired at the end of calendar year 1994. A new agreement is being negotiated.

## GLOSSARY OF TERMS

The following are definitions of terms and names commonly used by the Inter-American Foundation:

1. **Grassroots Support Organizations (GSOs)**: Private development organizations which provide services and resources to the poor; often referred to as intermediary, facilitator, or service organizations. GSOs are the links between base groups and other larger institutions and may provide coordinating and networking functions.
2. **Grant Supplement**: Amendment to a grant agreement that involves an increase in the amount of the grant. If the grantee's mission has been carried out responsibly, a supplement may be provided to add equipment, compensate for the effects of inflation, or cover other minor adjustments. It may also be used to fund the second or third phase of a project.
3. **In-Country Fund (ICF)**: The ICF is designed to provide small, emerging organizations of the rural and urban poor with start-up capital. Grants and loans generally averaging \$20,000 or less support activities such as legal assistance to incorporate a small business or cooperative; the purchase of seeds, improved livestock, supplies, and equipment; technical assistance; and training in administration or basic skills. These microdevelopment funds are established through cooperative agreements with private development institutions in Latin America and the Caribbean.
4. **In-Country Support (ICS) Services**: ICS are teams of local development professionals based in Latin America and the Caribbean who provide the Foundation with local technical capability. Through quarterly project visits, the ICS assure that grant funds are used responsibly and provide timely technical assistance in management techniques, financial administration, marketing, and evaluation methodologies. The ICS also help grantees secure technical assistance and training in other areas as needed, such as small business development and agronomy.
5. **Membership Organizations (MOs)**: Aggregation of individuals who regularly engage in some joint development activity as an expression of collective interest. These organizations are often referred to as "base groups" or an aggregation of such groups (e.g., federations or cooperatives).

**INTER-AMERICAN FOUNDATION  
FY 1996 PROGRAM**

**I. Introduction**

The Inter-American Foundation ("Foundation") is planning an FY 1996 budget of \$39.2 million utilizing 82 full-time employees.

Obligations will include \$7.5 million in Social Progress Trust Fund ("SPTF") resources and \$31.7 million in appropriated funds.

**II. Goals and Objectives of the FY 1996 Program**

The Foundation will pursue program and learning goals in FY 1996 which are consistent with the strategies set forth in the Foundation's Vision and Goals Statement for the 1990s (see Appendix A).

**A. Program Goals**

1. Increase the number of jobs and level of income for small-scale farmers and microentrepreneurs engaged in rural and urban production, processing, marketing and credit through programs which enhance productivity, expand markets, and strengthen management skills.
2. Enhance the quality of life of the poor through the support of training and technical assistance programs targeted toward productive activities.
3. Support community-based natural resource management that combines income generating activities with a sustainable environment.
4. Strengthen democratic societies through support for grassroots development programs involving local resource mobilization and collaboration between municipal governments and communities.

**B. Learning and Dissemination Goals**

1. Using the Grassroots Development Framework (GDF), the frame of reference for assessing results of Foundation-supported grants, document and disseminate the effect of the grassroots development funding approach in harnessing the energy and creativity of the poor, in fostering self-reliance, and in laying the groundwork for responsible citizenship. The GDF sets parameters for project monitoring and evaluation and is the basis for the results database.

2. Provide publications and GDF materials to the growing number of Foundation-fostered partnerships among nongovernmental organizations (NGOs), the private sector, and public sector agencies to mobilize local resources for grassroots development.
3. Support collaboration between Foundation staff and staff from the social investment funds in Latin America and the Caribbean that are funding grassroots development, by providing training and orientation materials, publications, and methodologies for measuring results.
4. Identify and summarize selected experiences from Latin America and the Caribbean as guides for U.S. self-help programs; and disseminate methodologies which succeed in fostering initiative, encouraging self-help, and mobilizing local resources.

### III. The FY 1996 Program

#### A. The Grant Program

The requested FY 1996 program budget of \$31.0 million is composed of appropriated resources and, on a declining basis, SPTF resources. SPTF resources may only be used in their countries of origin for specific classes of activity. The Foundation's grant program priorities, on a regional basis, are as follows:

In Central America, the Foundation continues to emphasize a people-to-people development approach by channeling large numbers of grants to small-scale farm associations and businesses and by operating 12 in-country development assistance funds which respond quickly to nascent grassroots producer groups requiring less than \$5,000 for seed capital, training, or technical assistance. With democratic governments in place in every Central American country, most of them newly elected, the move towards regional integration will support a growing interest in common market and North American Free Trade Agreement (NAFTA) activities. The Foundation will direct funding to self-help initiatives of producer organizations and microenterprises, with increasing emphasis on programs involving joint ventures, co-funding activities, and enhanced counterpart levels to improve the cost effectiveness of projects and lessen the need for foreign assistance. Panama is an example of a country where the Foundation has been successful in leveraging other local resources for grassroots development programs, most of which are productive efforts to expand and promote the stability of free markets to obtain long-term benefits.

In the Southern Cone and Brazil, the Foundation is aggressively promoting the successful integration of small-scale farmers into the market economies created through the Southern Cone regional common market (MERCOSUR) and the North American Free Trade Agreement (NAFTA). Local resource mobilization is also a high priority with the goal of

increasing support for rural and urban entrepreneurs to form small businesses, diversify production, and develop alternative marketing systems which will enable these entrepreneurs to maximize profit and gain control of as many aspects of the production process as possible. In addition, the Foundation will continue to strengthen the efforts of NGOs to mobilize local resources and increase citizen's collaboration with municipal governments in support of community self-help initiatives. The consolidation of participatory democracy in these countries is the best strategy for contributing towards long-term regional prosperity and stability in the region.

In Mexico, Guatemala, and the Caribbean (GMC Region), groups of small-scale farmers, artisans, and other micro-level producers seek assistance in accessing local, regional, and international markets. The Caribbean Basin Initiative (CBI) and NAFTA will have impact in the coming years on the activities of small-scale farmers and microentrepreneurs, affecting the goods they produce and their marketing strategies. The Foundation will support programs which improve quality and enhance the competitiveness of micro-level producers, and continue to finance marketing strategies of selected products which have good prospects of finding niches in high-end markets such as the successful organic coffee model which the Foundation funded in Mexico. As the countries in the GMC Region have restructured their economies to reduce their external debt and become more competitive internationally, new gaps have appeared in already marginal systems for delivering education and training. The gap between rich and poor is also growing, partly because of ever diminishing access by the poor to schools and effective training programs. To improve their living conditions, they need education, and yet economically squeezed governments are increasingly unable to provide effective, basic services. Experienced NGOs in the region are working to provide models which can help fill the void through non-formal education and training. The GMC region will continue to support the most successful nongovernmental organizations which provide models of education and training programs which achieve results and disseminate these models locally and internationally.

In the Andean Region, the Foundation's responsive approach to development assistance is widely respected, and many public and private entities are interested in joining forces with the Foundation to support local income and employment generation programs. The Foundation has developed an effective "package" of services to support grassroots development which includes methods for identifying innovative organizations and projects, analysis of organizational capacity and project feasibility, funding and monitoring mechanisms, technical and management assistance programs, and systems for evaluation and dissemination of results. In response to a growing demand for these grassroots development services by donor organizations, the Foundation is disseminating this package through financing the creation of the Andean Consortium, with locally-based institutional networks for funding, learning and dissemination, and resource mobilization. This approach relies heavily on the recognized high quality of the service being offered, tapping local talent to invest in and manage local service delivery, attracting reliable and expanded lines of financing, and providing valuable support services. The Andean Consor-

tium will provide an agile base of operations from which to accelerate the consolidation of a regional grassroots development network. Efforts are also underway to establish a regional network of centers promoting individual and corporate philanthropy to generate greater local contributions for grassroots development. The first such center, established in Colombia, has already been instrumental in attracting several hundred thousand dollars to fund community self-help initiatives managed by NGOs. Finally, the Consortium will negotiate directly with large, international funders in an effort to leverage and manage large blocks of funding for grassroots development and to influence the manner in which large donors work directly with NGOs.

The Foundation plans to allocate grant funds by country as follows:

1. **\$1.5 million - \$2.4 million:** Brazil, Colombia, El Salvador, Mexico, Nicaragua, Panama, and Peru. Grants in Mexico and Colombia will be funded exclusively with appropriated resources. Brazil, El Salvador, Nicaragua, Panama, and Peru will use both SPTF and appropriated resources. The program goals for each country follows:
  - a. **Brazil:** Collaborate with corporate foundations to leverage local resources targeted to supporting self-help income-generation initiatives. Improve the quality of life of small-scale agricultural producers and rainforest dwellers through economically and environmentally sound production practices. Provide support to independent, community-run elementary schools and improve the basic educational and specialized skill levels of impoverished children, adolescents, and adults. Improve the basic living conditions of the urban poor through leveraging of resources from municipalities and supporting self-help community initiatives.
  - b. **Colombia:** Leverage local resources and promote a culture of philanthropy among private sector organizations to support grassroots economic production programs. Improve standards of living and increase family incomes of beneficiary groups traditionally underrepresented in development programs, such as women and ethnic minority groups. Improve the quality of life and family incomes of small-scale farmers living in ecological buffer zones through environmentally sound production techniques. Increase access of the poor to goods and services through the formation of regional partnerships and networks of grassroots support organizations. Increase participation of poor people in decision making and implementing public policies which affect them directly.
  - c. **El Salvador:** Improve sustainability of small-scale farmers' production. Generate income and employment through microenterprise and small business programs focusing on (but not limited to) the urban informal sector. Assist residents of ecologically important areas to improve their economic situation in sustainable ways that conserve natural resources. Increase

opportunities for grassroots groups to meet their training needs in management, production and marketing.

- d. **Mexico:** Leverage increased financial resources for grassroots development activities from the Mexican private sector. Improve the competitive position of Mexican small-scale farmers within local, national, and international markets. Promote sustainable development through projects in community forestry and agroecology. Promote the role of women in their economic roles, primarily in the rural sector. Strengthen the ability of regional peasant organizations to increase their productivity, improve produce quality, and reach export markets. Promote productive projects of community associations and nongovernmental organizations which also protect environmental quality in urban areas.
  - e. **Nicaragua:** Promote sustainable production, processing and marketing of crops by small scale farmers. Support microenterprises which generate employment and revenue for the urban poor. Fund small scale productive activities for emerging nongovernmental organizations.
  - f. **Panama:** Improve agricultural production, access to credit, processing capability, and links to commercial and export markets for small scale farmers in the Western provinces, emphasizing the adoption of environmentally appropriate agricultural practices. Strengthen microenterprise and self-employment activities that generate income for the urban poor. Assist inhabitants near ecologically important areas to improve their economic situation in a manner that also protects and increases the productivity of natural resources.
  - g. **Peru:** Increase the production, agro-processing, and marketing capabilities of rural small-scale producers. Increase levels of employment and income of poor urban and rural households through the strengthening and expansion of micro- and small-scale enterprises. Increase understanding among urban poor of the underlying causes of disease and malnutrition, and enhance their capacity to plan and carry out community health interventions.
2. **\$1.2 million - \$1.4 million:** Argentina, Bolivia, Chile, Ecuador, Guatemala, and Honduras. Grants in Chile will be made entirely with appropriated resources. Argentina, Bolivia, Ecuador, Guatemala, and Honduras will use both appropriated and SPTF resources. Country program goals are the following:
- a. **Argentina:** Improve the ability of NGOs and grassroots organizations to leverage government resources and influence the execution of socio-economic programs that improve the lives of the poor. Strengthen grassroot support organizations to carry out integrated self-help initiatives among impoverished

farm families. Provide greater benefits to the urban poor through innovative and participatory initiatives in habitat, health, education, and employment areas.

- b. **Bolivia:** Improve the self-management capacity of peasant and indigenous organizations to carry out participatory, self-sustaining agricultural development. Increase supplementary, non-agricultural employment for indigenous populations in rural areas, particularly handicraft production. Increase the utilization of Andean traditional technologies and practices in health care and agriculture. Improve the skill levels, management, and organizational capacity of low-income women and youth.
- c. **Chile:** In collaboration with local and international funders, leverage private sector and governmental resources targeted to overcome poverty through job creation and access to basic services. Promote economic development and improvements in living conditions for targeted groups of urban indigenous communities. Increase the income of artisanal fishing communities through adoption of economically profitable and environmentally sound fishing practices. Promote the diversification of income for seasonal farm laborers and small-scale farmers.
- d. **Ecuador:** Improve the capacity of federations and other networks of grassroots membership organizations (including Indians, Blacks, Mestizos, and the handicapped) to carry out self-help development activities. Increase the capacity of the urban and rural poor to produce and market consumer goods, agricultural products, and handicrafts. Increase the application of non-formal and alternative education methodologies for teaching production techniques and management skills. Support efforts of grassroots groups to protect and improve their natural resource base through soil conservation, reforestation, and forest management.
- e. **Guatemala:** Increase rural income by diversifying production and marketing strategies. Support employment generation programs that will facilitate greater participation of women and indigenous people in the social and economic life of their country. Strengthen community-based organizations to improve their capacity to undertake and sustain self-help activities and income-generating projects. Support community-based ecological preservation efforts.
- f. **Honduras:** Improve the income, nutrition and health of small-scale farmer families. Increase the capability of poor people and organizations working with the poor in both rural and urban areas to provide creative and well-planned solutions to their members' problems. Encourage protection of natural resources and education and training regarding resource conservation in rural areas,

particularly among small scale farmers (including indigenous groups) and residents of coastal communities. Increase income generation programs for the urban poor, with emphasis on women.

3. **\$800,000 - \$1.1 million:** Costa Rica, the Dominican Republic, Haiti, Paraguay, and Uruguay. Grants will be made with both SPTF and appropriated resources. The program goals for these countries follow:
  - a. **Costa Rica:** Identify and expand low cost sustainable food and cash crop production with an emphasis on agro-processing and accessing profitable national and international markets. Support self employment generation, emphasizing the participation of women and youth. Strengthen the administrative skills of NGOs that support community self-help initiatives.
  - b. **Dominican Republic:** Amplify the effectiveness and financial sustainability of grassroots support organizations by linking strong nongovernmental organizations with the Dominican private philanthropy sector. Increase incomes and living standards of the poor in urban neighborhoods in Santo Domingo and secondary cities. Improve the quality of life of small-scale farmers through environmentally sustainable, more profitable agricultural production. Enhance the health and physical security of economically disadvantaged people, especially women and children.
  - c. **Haiti:** Leverage increased international support for self-help development initiatives in Haiti by providing project monitoring and technical assistance services through local, Haitian organizations. Strengthen grassroots support organizations and rural-based membership organizations with a view towards producing food for consumption and local marketing. Support financial services for microenterprise projects, such as handicrafts production and marketing programs in urban areas.
  - d. **Paraguay:** Improve incomes and economic opportunity for the rural poor, especially small-scale farmers through the development of small scale agroindustries, diversification of production, and development of alternative marketing systems. Support self-help initiatives geared to increasing income and improve living conditions of the urban poor. Strengthen community organizations through which people can participate in public life and receive urgently needed government services.
  - e. **Uruguay:** Support the adoption of free-market oriented economic initiatives by micro-entrepreneurs and farm laborers in light of the recently adopted Southern Cone Common Market. Promote self-help efforts of neighborhood organizations to improve the quality of life in rural and urban communities.

Support strategic partnerships between NGOs and private and public agencies to leverage local resources geared to grassroots development activities. Strengthen the ability of NGOs to influence local government policies and the execution of social programs that are more effective in improving living conditions of the poor.

4. **\$200,000 - \$600,000:** Belize, the Eastern Caribbean, Jamaica, and Venezuela. Grants in these countries will be funded exclusively with appropriated resources. The program goals for these countries follow:
  - a. **Belize:** Increase and diversify sources of income for small-scale farmers. Strengthen community-based organizations to undertake projects in skills training and income generation.
  - b. **Eastern Caribbean:** Strengthen the microenterprise sector to assist women heads of households and unemployed youth. Improve the quality of life, productivity, and income levels of small-scale farmers. Mobilize local human and organizational resources to undertake projects and programs in community development and education. Increase the capacity of local communities to manage and preserve the fragile, tropical-island ecology.
  - c. **Jamaica:** Strengthen grassroots support organizations to promote effective, sustained small enterprise and agricultural production in rural Jamaica. Increase the ability of small-scale farmers to manage their own organizations, generate income, and protect the natural resource base. Improve the capacity of other community-based organizations to create and sustain self-help programs and income-generating projects.
  - d. **Venezuela:** Promote national corporate and individual philanthropy to ensure sustained funding for local grassroots development organizations in order to provide financial and technical support to small businesses, vocational training programs, and agricultural production enterprises. Develop joint funding programs with private and public sector entities to build greater local commitment to supporting economic development of the poorest sectors of Venezuelan society. Support community efforts to promote democratic participation in local governance.

#### B. Office of Outreach

The Office of Outreach manages the development and implementation of the Outreach Initiative which has two goals: first, to assist NGOs in their efforts to gain greater access to public and private sector resources within their own countries in order to lessen their dependence on U.S. foreign assistance and other foreign donors, and second, to establish

cooperative working and co-funding relationships with other development agencies in order that the limited resources available for grassroots development are used more effectively.

**In FY 1996, the Outreach Office will seek to:**

1. Execute additional Memoranda of Understanding (MOU) which commit other donor agencies to join with the Foundation to support grassroots development programs. Four additional MOU are anticipated in FY 1996.
2. Encourage corporations, corporate foundations, parastatal organizations, and individuals to provide financial support to development projects supported by the Foundation, as illustrated by convening donor meetings with private and corporate foundations.
3. Increase the effectiveness of private and public sector development organizations through aggressively promoting greater coordination and cooperation.
4. Assist Foundation-supported local development organizations to increase, diversify, and sustain their financial support through access to new and experimental fund-raising programs by promoting philanthropic activities in the region. The Foundation will use the practical research conducted to date, such as a survey of corporations and a study of popular philanthropy in Brazil. Additionally, a study of philanthropy undertaken in six Latin American countries in FY 1994 and FY 1995 to document the potential for philanthropic activities, will be extended to include six additional countries in FY 1996. The results of this study will be used to improve the ability of non-profit organizations to access local resources.
5. Meet with private sector, government, and civic leaders to provide information on the Foundation's Outreach Initiative. Outreach is a central priority of the Foundation as noted in the attached "Vision and Goals Statement." In particular, a series of meetings are planned in four of the larger countries by CIVICUS that will bring together business, government and non governmental organization leaders to consider broader support for the NGO sector. CIVICUS is a membership organization promoted by private foundations to promote citizen participation and philanthropy on a global basis. The Foundation has taken the lead in supporting their initial meetings and has secured the support of four other private foundations to support a series of country and regional meetings which bring together private-for-profit and not-for-profit leaders.
6. Convene regional meetings of NGO leaders and private sector representatives to discuss ways to promote interest in fundraising and the best possible means to transfer the knowledge and skills required to fundraise. As an example, the Foundation is working with The Council on Foundations and a regional organization

in Latin America that is attempting to disseminate and train successful fundraising personnel.

7. Continue to monitor and explore ways in which the Foundation can interest other donors, corporations, and corporate foundations to co-finance grassroots development projects. For example, the Foundation influenced the MacArthur Foundation to provide \$300,000 to four NGOs working in Community Forestry in Southern Mexico, and is in negotiations with the Bernard Van Leer Foundation and the Sierra Club Foundation to support similar ventures.
8. Respond to the growing interest of government and quasi-government agencies in establishing Foundation-like development programs. In addition to PDVSA in Venezuela, the Foundation has supported a national development fund in Colombia which will strengthen local fundraising and grant making ability.
9. Continue to meet regularly with Inter-American Development Bank, World Bank, the Agency for International Development and the Peace Corps to enhance collaboration and the pooling of resources. These multilateral and bilateral agencies have a growing interest in working with NGOs, and the Foundation's Outreach activities. At the invitation of the staff of the Inter-American Development Bank's Multi-Lateral Investment Fund (MIF), several of the Foundation's staff recently attended a meeting to present and discuss four specific Foundation supported projects which are attractive possibilities for co-financing. In addition, the Foundation is establishing two consortia—one in the Andean region and one in Mexico, which may allow the MIF and the Foundation to collaborate in the co-funding of a larger number of programs at a lower administrative cost.

C. **Learning and Dissemination**

The Office of Learning and Dissemination (L&D), working with the Program Office, studies the grassroots development activities supported by the Foundation and disseminates the lessons learned. The focus is on analysis of grant results, on key trends that impact on grassroots development in Latin America and the Caribbean, and on field-based learning initiatives implemented by Foundation staff and in-country support service teams. Another source of grassroots lessons are the four unique Fellowship programs which support field research, dissemination, or study in the United States on topics of critical interest to development practitioners. L&D produces the Foundation's journal Grassroots Development in three languages, and other publications which are highly regarded and widely read by development organizations and practitioners throughout the hemisphere.

## I. Learning

The Foundation extracts lessons from the grassroots development programs it supports. The lessons learned are incorporated into decision-making to improve the quality of grants, and are shared with other funders and practitioners in the development community. The Foundation has a significant comparative advantage in this field, and L&D is focusing efforts on ordering and analyzing project information to facilitate analysis of grant methodologies and results.

The Foundation also supports studies on topics of particular importance to the grassroots development community. These are designed to yield a product for dissemination in the form of books, monographs, or as articles in the Foundation's journal Grassroots Development.

In FY 1996, L&D's learning plans will include:

### a. Grassroots Development Framework (GDF)

The GDF, created in FY 1993, is the frame of reference for assessing results of Foundation-supported grants. The GDF guides project monitoring and registration of results and is focused on grant outcomes, not on activities performed. The Grassroots Development Framework registers changes in standard of living, in strengthening local institutions, and in creating an environment supportive of efforts to overcome poverty. The Foundation is putting special emphasis on identifying and recording local resources leveraged (in the form of capital, labor, or in-kind contribution) and on tracking the progress of NGOs toward economic self-sufficiency.

In FY 1996, all country programs will be reporting results in a consistent format, allowing entry of the information into a Foundation-wide data base. That data base will also include information on project context, strategies, and methodologies, to permit analysis of programs.

### b. Regional Learning Initiatives

L&D will support learning endeavors initiated by staff and in-country service teams that distill lessons from project experience, and support the mobilization of resources from the private sector in Latin America and the Caribbean for grassroots development.

### c. Impact Studies

L&D staff conduct impact assessment studies on a small sample of grantees. These studies employ baseline and post-project questionnaires and intense monitoring. In addition, occasional surveys are conducted that address a segment of the Foundation's portfolio to collect, order and analyze the Foundation's funding experience.

During FY 1996, five impact assessments on projects in organic agriculture, health education, and microenterprise will be completed. Work will continue on impact studies begun in FY 1995 in the areas of mobilization of resources and training, and two studies will be initiated in areas of interest to grantees and Foundation staff, such as export marketing by small-scale farmer associations.

d. Thematic Studies

Thematic studies examine selected issues and trends that significantly affect grassroots development programs in Latin America and the Caribbean. Findings inform grantees, Foundation country strategies and the development community, and are disseminated through seminars and publications. During FY 1996, staff will:

1. Assess the effects of new relationships between NGOs and national and municipal governments. The findings will be disseminated to grantees and other development practitioners as well as to Foundation staff.
2. Continue fieldwork on the effects of the Social Investment Funds (SIFs) and the Social Emergency Funds (SEFs) on NGOs and local governments in Honduras, Venezuela, Mexico, and Brazil. Findings will be prepared for publication in Grassroots Development, in Spanish, English, and Portuguese.
3. Initiate a study of NGO urban grassroots projects dealing with responses to urban environmental degradation and policy.

2. Dissemination

L&D produces and disseminates materials on the Foundation's grassroots development approach and projects. Publications include the journal, Grassroots Development, which is published in English, Spanish, and Portuguese, as well as books, monographs, and occasional papers. FY 1996 activities include:

- a. Publish two issues of Grassroots Development in English, Spanish, and Portuguese.
- b. Publish the Year in Review in English, Spanish, and Portuguese.
- c. Review the dissemination program, modify it as needed for greater impact, and devise shorter, turnaround products highlighting insights about grassroots development for Latin American, Caribbean, and U.S. audiences.
- d. Prepare materials for use by public-private partnerships in Latin America and the Caribbean in leveraging resources and supporting grassroots initiatives.

- e. Publish a book on civil associations in Latin America and their contribution to the spread of democratic values and practices by Foundation Representative Patrick Breslin.
  - f. Publish a book on grassroots initiatives in Bolivia by Foundation Representative Kevin Healy.
  - g. Reprint, on demand, Foundation publications and monographs.
  - h. Participate in development conferences to display and distribute publications.
  - i. Distribute the Grassroots Development Video Series and accompanying teachers' guides for use by U.S. educators and other interested organizations.
3. Fellowship

The Foundation conducts the only U.S. fellowship program dedicated to educating tomorrow's leaders in the area of grassroots development in Latin America and the Caribbean (LAC). Former Fellows strengthen nongovernmental development organizations in LAC countries as well as U.S. universities and organizations specializing in LAC grassroots development. Today, the Foundation fellowship network includes approximately 300 schools and departments in over 85 universities in 35 U.S. states, 750 Fellows, 400 Latin American and Caribbean institutions, and over 4,000 officials and organizations throughout the hemisphere.

The Foundation Fellowship Program offers proven, successful programs which result in the:

- expansion of grassroots development specialists in local self-reliance and economic success in LAC countries,
- education of new leaders in the LAC region about democracy-building and new economic opportunities,
- strengthening of the institutional capacity of:
  - nongovernmental sectors in LAC countries to promote grassroots development, mobilize local resources, and lessen the need for foreign financial assistance, and
  - U.S. universities to provide education about successful local development strategies in the LAC region.

During FY 1996, the Foundation will continue to support these results by conducting three fellowship programs which make approximately 40 fellowship grants. These programs prepare professionals for leadership careers and strengthen institutional capacity in development fields.

- a. The "U.S. Graduate Study Program" will support approximately 14 professionals from development institutions in the LAC region, whose work in grassroots development can benefit from advanced study in the United States. This program strengthens nongovernmental organizations and grassroots development sectors in LAC countries.
- b. The "Field Research Programs at the Doctoral Level (approximately 14 grants) and at the Master's-Level" (12 grants) will support degree candidates enrolled in U.S. universities to conduct field research in Latin American or Caribbean countries on grassroots development topics. These programs strengthen LAC-related academic programs in U.S. universities, bolster the U.S. network specializing in LAC development, and strengthen nongovernmental development organizations in the LAC region.

In addition, the fellowship program will:

- c. Support fellows enrolled in U.S. universities;
- d. Leverage \$817,000 from private and university sources in counterpart funds to the Foundation's annual Fellowship budget of \$698,000;
- e. Award 75 percent of the annual grant budget to support Latin American and Caribbean citizens; and,
- f. Maintain cost reductions through free distribution of fellowship information by Centers for Latin America and the Caribbean at 22 universities in 16 U.S. states.

#### 4. Translation

The Translations Office provides professional language services to all Foundation offices. Grant-related documents and publications are translated into and from English, Spanish, Portuguese, Haitian Creole, and French.

As a service office, work is determined by the requests from the Program Office, the schedule of L&D publications production, and the number of Requests for Federal Procurement (RFP) and In-Country Support Service (ICS) contracts requested by the procurement staff.

In FY 1996, Translations staff will also support the Foundation's initiative to help NGOs gain access to both public and private funds from local sources and the dissemination of results information by translating publications and materials into and from English and the other languages used in Latin America.

**THE INTER-AMERICAN FOUNDATION'S  
"VISION AND GOALS STATEMENT  
FOR THE 1990s"**

**November 1991**

**THE IAF IN THE DECADE OF THE 1990s**

The Inter-American Foundation, a U.S. Government agency, is in its third decade of offering unique development assistance to the peoples of Latin America and the Caribbean--assistance that supports the ideas and initiatives of private sector organizations and groups at the grassroots level. Now, in the changing and challenging world of the 1990s, it is time for the IAF to re-examine its institutional goals and strategies and to make those adjustments needed to most effectively carry out its Congressional Declaration of Purpose.

**The Current Setting**

The decade of the 1990s began with a surge of hope. The Berlin Wall came down, democracy emerged in the countries of Eastern Europe, as it now appears to be doing in the countries that comprised the former Soviet Union. In Latin America and the Caribbean, where there is a long tradition of democracy that precedes the trend in Eastern Europe, most countries that had tried other forms of governing returned to democracy in the 1980s and are now entering a period of consolidation. These nations, and many others, are participants in a changing world moving towards democratic forms of governing and open, free market economies. If this trend continues, it could usher in unprecedented opportunities for the emergence of open, democratic civil societies, in which people have the freedom and opportunity to use their ingenuity and energy to forge better lives for themselves.

To take advantage of the opportunities that are emerging, Latin American and Caribbean countries must find solutions to difficult problems that mitigate against development progress. A burdensome and growing foreign debt deprives the countries of investment capital needed for development. Lack of jobs and income will continue without active and productive small business sectors in both the urban and rural areas. The destruction of renewable natural resources, while producing short-term income benefits, is leaving countries without the basis for long-term, sustainable development.

Rural to urban migration has resulted in dramatic increases in urban populations. In many countries the majority of the people now live in cities -- many in slums and squatter settlements surrounding megacities. Poverty in these areas has grown worse. Unemployment is high and there is a serious lack of access to health services, decent housing, and potable water supplies.

Finally, in both the rural and urban areas, the lack of education and job training opportunities has inhibited the development of human resources upon which social and economic progress ultimately depends.

**THE INTER-AMERICAN FOUNDATION'S VISION**

The Foundation's vision will be realized when it has made a significant contribution to the achievement of the following:

- Grassroots development is widely recognized as the foundation of sustainable development and participatory, democratic civil societies in the developing countries.
- Local, private sector development organizations (NGOs) have significantly increased their efforts, skills and success in working with their private business sector and government to mobilize, organize and focus the country's resources on effective and sustainable grassroots development.
- NGOs in Latin America and the Caribbean receive most of their financial and material resources from supportive private and public sectors in their own countries. With this support, NGOs are well on their way to independence from foreign assistance.
- NGOs have developed high levels of management, technical and development skills and know-how enabling them to reach a level of excellence in fostering and assisting grassroots development.
- Efficient learning and dissemination systems permit the timely collection and transfer of practical know how, ideas and experience among funders and practioners of grassroots development.

Over the past several decades, the assumption that a developing country's government could solve these problems primarily through the transfer of capital and technology from the rich countries to the poor has been belied by the continuing poverty of many developing countries. Capital and the right kinds of technology are needed; and there is hope that the new Enterprise for the Americas Initiative designed to stimulate trade, investment and relieve foreign debt will be effective. But history has shown that these large scale government-to-government programs are not, by themselves, the complete answer to development. Moreover, foreign development assistance funds are shrinking in real terms, and in Latin America there is a tendency for central governments to shrink -- whether from the exhaustion of political and economic models, shrinking resources, or from planned efforts to decentralize and privatize.

The void left by governments is being filled by voluntary civic associations and grassroots community movements in both urban and rural areas. These nongovernmental organizations (NGOs) are recognized more and more as playing a critical role in expanding social and economic opportunities for the poor. For that reason they are being asked to participate in and inform the decision-making of local governments, international development agencies, and private foundations.

In 1971, when the Foundation was awarding its first grants to NGOs, based on an untested faith in their potential, few in the international development assistance field recognized the value or even the existence of these small, private sector, development organizations. Now, twenty years later, they are increasingly being considered, both internationally and by their own governments, to have played a crucial role in the past and to be destined to play an even more important one in the future.

While the rise in numbers and capabilities of NGOs is encouraging, they are beginning to realize that their future will be uncertain and their potential not fully developed if they remain dependent on the erratic ebb and flow of the limited and shrinking resources of external funders. They must find ways to gain long-term access to in-country financial resources that exist in the private business sector, philanthropic organizations, and government agencies. A vibrant, active and effective NGO community supported by an enlightened private sector and a cooperative government is essential if sustainable development is to have a chance.

It is within this context of promising change and expanding opportunities that the IAF must strive to make optimum use of its resources. The challenge now before the Foundation is to draw on its twenty-year record of development assistance experience to preserve and enhance those time-tested approaches that work, blending them with bold new visions for the future. In meeting this challenge, IAF will be faithful to its Congressional Declaration of Purpose, guided by a set of key tenets, and driven by an overarching institutional vision and goal.

### Congressional Declaration of Purpose

The purpose of the Inter-American Foundation, as stated in the enabling legislation, is just as valid today as when the IAF was established.

"It shall be the purpose of the Foundation, primarily in cooperation with private regional and international organizations to:

strengthen the bonds of friendship and understanding among the peoples of this hemisphere;

support self-help efforts designed to enlarge the opportunities for individual development;

stimulate and assist effective and ever wider participation of the people in the development process;

encourage the establishment and growth of democratic institutions, private and governmental, appropriate to the requirements of the individual sovereign nations of this hemisphere."

### Key Tenets

Three tenets about the nature of development underlie and motivate all IAF programs.

- Development is a social, political, economic and human process. It is not an event such as a project with a start and an end date.
- To be lasting and sustainable, development must involve people in a learning process that gives them the management, organization and technical skills to participate in and have access to the mainstream economic and democratic systems emerging in their countries.
- The most effective development assistance, at the level IAF operates, is achieved by supporting the people's ideas and initiatives.

### **A New Vision for the 1990s**

The IAF's vision is for Latin American and Caribbean countries to achieve high levels of development capability and independence from external resources at the grassroots level.  
This vision is based on four convictions:

- Grassroots driven development is an absolute necessity for lasting social and economic progress in all countries, rich or poor.
- Indigenous NGOs have great value as promoters of grassroots development.
- In-country financial resources are sufficient for NGOs to become independent of external assistance over time.
- If development is to become a reality, people and organizations at the grassroots level must take charge of the direction and financing of their development programs.

### **Making the Vision a Reality**

The IAF, through the establishment of a vigorous outreach program, will join forces with other multilateral and bilateral development organizations, the private sector, and other government agencies to help the people of Latin America and the Caribbean develop their own capability to meet their development needs as they define them. It will particularly seek creative and effective ways to support NGOs in their longer-term efforts to play a constructive role in defining and implementing programs that address the development problems and priorities of their countries.

Obviously, the IAF's vision of self-sufficiency for grassroots development in Latin America and the Caribbean will not be a reality by the end of this decade. Making this vision a reality will be a slow, evolving process. The IAF will be faced with the challenge of finding more effective ways to focus its resources on grassroots solutions to priority problems while, concurrently, developing and implementing a strategy to help NGOs gain greater access to in-country resources and develop their institutional capability as leaders and supporters of grassroots development efforts.

### **IAF's Institutional Goal for the 1990s**

In pursuit of its vision, IAF's goal for the 1990s is:

Increase the effectiveness and the financial independence of community level development organizations and processes that focus on human development, foster self-reliance, and improve the quality of life for the peoples of Latin America and the Caribbean. Given the IAF's limited staff and financial resources, the quest for creative and effective ways to increase the impact of its limited resources must be an ongoing institutional priority.

## Strategies for Achieving the Goal for the 1990s

### 1. Decreasing Dependency of NGOs on External Resources

The IAF believes that strong, democratic NGOs that promote and assist development at the grassroots level are crucial building blocks for sustained development. They provide the poor with opportunities to acquire the knowledge, skills and income needed to improve their material well-being, and the know-how and confidence to exercise their civic responsibilities in a democratic society.

Development assistance resources for Latin America and the Caribbean will remain scarce and may shrink. If NGOs remain dependent on these external resources, their effectiveness and even survival could be threatened. It is, therefore, incumbent on the IAF to help NGOs gain access to in-country sources of funds and to work with other development assistance organizations and the private sector to leverage the limited funds available through co-funding and complementary program activities.

Accordingly, IAF will develop an outreach program to leverage more funds to support development programs and to decrease the dependence of NGOs on external resources. The outreach program will be a discrete unit, separate from funding and learning operations, but it should coordinate its work with funding and learning. The program's objectives are to:

Help community level, nongovernmental development organizations gain greater access to financial resources in their own countries and to technical assistance and training so that they can increase their effectiveness, impact, and sustainability and decrease their dependence on external resources.

Leverage more funds for IAF-assisted programs from private and public sector organizations via the co-funding of development activities.

### 2. Increasing the Programmatic Impact of IAF's Resources

To increase the impact of IAF's scarce resources, a strategy will be developed that identifies a limited number of specific and clearly defined program focus areas.

The following principles will guide the development of country strategies:

Practical solutions to the basic needs of poor people will be emphasized, including food, employment, income, education, family stability and civic participation.

Country strategies will be designed to assure that the people involved in the self-help process develop new skills, knowledge, and "hands on" experience while improving their well-being and standards of living.

While country strategies will focus on achieving specific, realistic development goals, at the same time they will remain flexible and open to experimenting with new and creative ideas.

Strategies will differ from country to country depending on priority needs, but all strategies will be based on the operating principle that income and job generation are essential to lasting development and self-reliance. Welfare-type assistance may temporarily meet a basic human need--but it does not create meaningful jobs or lead to the greater productive capacity the poor must have to achieve lasting social and economic gains.

#### 4. Criteria for Selecting Discrete Projects

IAF will adhere to the following criteria when selecting projects to support.

The proposed project involves the beneficiaries in a process that will bring them new skills, knowledge, and attitudes and that will improve their standard of living and personal well-being .

The potential grantees are aware of the need for a reasonable balance between development progress and conservation of the environment and have tried to achieve that balance in formulating the project design and goals.

The proposed project fosters managerial self-sufficiency and economic independence among the poor and their organizations.

#### In Pursuit of IAF's Vision

The Foundation's vision of grassroots development supported by internal resources recognizes the evolutionary nature of change. Success will not be achieved quickly nor without problems. But it can be achieved by relentlessly pursuing its Congressional Mandate and by emphasizing those qualities which the Foundation admires in its grantees: the determination to overcome obstacles, the commitment to find solutions, and the resolve to continue until goals are achieved.

Ultimately, the Foundation's greatest success will be accomplished when foreign development assistance is no longer needed to meet the needs of the people in Latin America and the Caribbean. It is to this vision that the Inter-American Foundation dedicates its efforts.

## PROGRAM AND LEARNING AND DISSEMINATION ACTIVITIES

### I. FY 1994 Program Profile

#### A. Overview

In FY 1994, the Foundation obligated 168 grants, 186 grant supplements, and carried out other program activities totaling \$30.7 million to support grassroots development initiatives in Latin America and the Caribbean. The grant programs are expected to reach approximately 7.4 million intended beneficiaries. Other program activities included In-Country Support Services (ICS), fellowships, evaluations, publications, and learning and dissemination projects.

Grantee matching contributions, either in-kind or cash, averaged \$1.54 for every Foundation dollar contributed in FY 1994. Since 1971, the Foundation has made 3,811 grants valued at nearly \$410 million, with counterpart contributions totaling more than \$525 million. New grants averaged \$76,362 in FY 1994, compared to \$76,741 in FY 1993, \$69,743 for the period FY 1982-92, and \$98,271 for the period FY 1972-81.

#### B. Grants by Sector

#### Foundation Program Profile FY 1994

#### Grants and Amendments for Supplemental Funding

<u>Program Area</u>	<u>Number Grants</u>	<u>Amount (\$000's)</u>	<u>Percent</u>	<u>Intended Beneficiaries (000's)</u>
Food Production/Agriculture	126	\$ 8,866	35.8%	1,867
Education/Training	86	6,052	24.4%	1,884
Enterprise Development				
/Management	64	4,635	18.7%	496
Research/Dissemination	24	1,325	5.4%	895
Ecodevelopment	10	788	3.2%	516
Health	11	584	2.4%	367
Cultural Expression	7	485	2.0%	17
Housing	4	302	1.2%	38
Other	<u>22</u>	<u>1,703</u>	<u>6.9%</u>	<u>1,332</u>
TOTAL	354	24,740	100%	7,412

Foundation support for agriculture, food production, and environmental activities totaled over \$9.7 million in FY 1994, representing 39% of program funding, compared to 43% in FY 1994 and 45% in FY 1993. During FY 1994, grants supported projects in crop production and marketing, animal husbandry and fisheries, technical assistance and training, appropriate technology transfer, irrigation systems, community and organizational development, and natural resource conservation and management.

FY 1994 grants for education and training activities totaled \$6.1 million, or 24% of available program resources, reflecting the same level of support provided for this program area in FY 1993. Funded activities included training in organizational development, management, and vocational skills; production and accounting techniques; adult education; development of curriculum materials; and technical publications.

Support for microenterprise development and management programs totaled \$4.6 million, or 19% of program funds, matching the amount funded in the previous fiscal year. Grants assisted operators and owners of small businesses to acquire equipment and supplies; obtain credit; develop management, accounting, and technical skills; and improve production and marketing practices.

Community service programs received \$886,000 in FY 1994, representing approximately 3.6% of program funding, compared to 4% during FY 1993. Grants supported health education and curative services, credit and consumer services, community development programs, sanitation and water systems, and self-help housing services.

Support for other types of activities totaled \$1.7 million or 7% of program resources, representing approximately the same allocation level approved last fiscal year. The majority of grants were used to establish 10 new In-Country Funds (ICFs) administered through cooperative agreements with local grassroots support organizations. These locally-based, microdevelopment funds provide groups of the rural and urban poor with small grants and loans averaging \$5,000 for technical assistance, training in basic administrative skills and management, or seed capital to set up small-scale businesses or agricultural production enterprises. There are currently 32 ICFs operating in 17 countries of Latin America and the Caribbean.

### **1. Agriculture and Food Production**

The Foundation allocated 36% of its program resources in FY 1994 for food production and agricultural projects. Primary beneficiaries included small-scale farmers and livestock producers, landless agricultural laborers, and fishermen. Examples of programs funded are described below:

- a. In Paraguay, a rural production and consumer service cooperative will help 200 small-scale farmers in the Department of Caaguazú to construct and operate a dairy plant, develop a marketing system for dairy products within the region, establish a rotating loan fund for producers to purchase improved breed dairy cattle, improve cattle sanitation and increase milk production. (PY-175, Cooperativa de Producción, Consumo y Servicios "Caaguazú Poty" Limitada, \$63,720 over two years).
- b. In Chile, a Mapuche Indian service organization will assist 600 Mapuche families in rural communities near Temuco to construct and operate storage facilities for agricultural products, provide training in storage and marketing techniques for three farmer committees, and create a regional marketing administration center and data bank (CH-483, Sociedad Mapuche Lonko Kilapan, \$78,520 over one year).
- c. In Bolivia, a regional cooperative federation will construct a chocolate factory complex with a warehouse, industrial plant, and offices to increase incomes for cocoa bean farmers through the export of organic chocolate products (BO-451, Central Regional Agropecuaria-Industrial de Cooperativas El Ceibo, \$65,000 over two years).
- d. In Colombia, a grassroots support organization will provide technical assistance to six rural producer organizations in the areas of sustainable agriculture, natural resource conservation, organizational development, and marketing, benefiting approximately 1,000 peasant farmers in southern Colombia (CO-468, Asociación para el Desarrollo Campesino, \$215,195 over four years).
- e. In Ecuador, an association of agricultural cooperatives will implement an agricultural credit program and provide production training and technical assistance to 3,000 campesinos in the northern highland provinces of Carchi and Imbabura, Ecuador (EC-172, Unión de Cooperativas Agropecuarias del Norte, \$90,000 over two years).
- f. In Peru, a grassroots support organization will inventory, test, and disseminate low-cost agricultural technologies to increase subsistence agricultural production in the Department of Lambayeque (PU-437, Centro de Estudios Sociales-Solidaridad, \$210,568 over three years).
- g. In Venezuela, the Foundation will co-fund with Petróleos de Venezuela a program of technical assistance and training in modern fishing techniques and provide equipment to 150 artisan fishermen in the village of San José de la Costa, located in Falcón State (VZ-103, Central Cooperativa Nacional de Venezuela, \$37,500 over 18 months).
- h. In Costa Rica, a consortium of coffee cooperatives will offer credit and technical assistance to 162 small-scale producers to improve their coffee crop and plant fruit

and nut trees (CR-261, Consorcio de Cooperativas Cafetaleras de Guanacaste y Montes de Oro, \$81,000 over one year).

- i. In El Salvador, a rural cooperative association will reforest land, improve cattle herds, and establish a revolving loan fund to finance grain and vegetable production, benefiting 500 small-scale farm families (ES-147, Asociación Cooperativa de Producción Agrícola Santa Barbara, \$49,010 over three years).
- j. In Honduras, a rural agroecology association will provide institutional support and training to 540 low-income farmers and grassroots development promoters in agricultural methods that reduce costs and chemical exposure, diversify crops, and increase production (HO-208, Asociación Familia y Medioambiente, \$42,080 over one year).
- k. In Nicaragua, an agricultural cooperative will construct an irrigation system which will quadruple rice production and increase the income levels of 93 families (NC-188, Cooperativa Agropecuaria Augusto César, \$87,600 over three years).
- l. In Panama, a rural production cooperative will establish a credit fund, provide technical assistance to improve agricultural production, and enhance its existing infrastructure for processing and packing produce for export (PN-222, Cooperativa de Producción Reverendo Domingo Basterra, \$158,976 over two years).
- m. In the Dominican Republic, a grassroots support organization will establish an agroecology and natural medicine center which will train 140 organic agriculture extension agents and commercially produce and market 40 medicinal plants and selected species of fruits and vegetables utilizing organic agricultural methods (DR-263, Colectivo de Salud Popular, \$79,517 over two years).
- n. In Haiti, a grassroots development organization will provide technical assistance to 70 groups of small-scale farmers and market vendors to store and market grains (HA-166, Mouvement Organisations Developpement Belfontenn, \$41,658, over two years).
- o. In Mexico, a grassroots support organization will offer training and technical assistance for 9,000 Tojolabla and Tzeltal Indian peasants to convert 1,000 hectares of coffee trees to organic techniques, and to consolidate existing markets for organic coffee in Europe and the United States (ME-356, Unión de Ejidos La Selva, \$112,033, over one year).
- p. In Argentina, a regional rural development center will provide training and technical assistance to 75 subsistence-level livestock producers in goat production and lay the basis for a regional marketing system to be controlled by producers (AR-303, Centro Regional para el Autodesarrollo Rural, \$62,465 over two years).

- q. In Brazil, a regional agroforestry center will provide training, technical assistance, and marketing services to 12,000 small-scale farmers of the Marabá region of Pará state (BR-727, Fundação Agrária do Tocantins-Araguaia, \$101,500 over two years).
- r. In Uruguay, a rural youth organization will provide credit and technical assistance in agricultural production and marketing to 162 youth farmers throughout the interior (UR-151, Movimiento de la Juventud Agraria, \$20,000 over one year).

## **2. Education and Training**

The Foundation expended 24% of its FY 1994 grant resources on non-formal education projects. In addition, most agricultural and microenterprise development projects funded also included training components. Examples of projects with a primary focus on education and training follow:

- a. In Colombia, a regional training center will design and conduct entrepreneurial courses, including on-the-job exchange visits for affiliates' staff and small business borrowers, provide technical assistance, and produce training manuals to scale-up support for small businesses (LA-144, Centro Acción Microempresarial, \$134,000 over one year).
- b. In Costa Rica, a national agricultural association will promote the production of organic foods for domestic and export markets by training 400 small-scale producers, educating the public, certifying 240 crop inspectors, and providing information and technical assistance (CR-312, Asociación Nacional de Agricultura Orgánica, \$63,000 over two years).
- c. In Honduras, a youth training center will offer vocational training in carpentry, cabinetry, metal working, and clothing manufacture for 120 youths drawn from poor urban neighborhoods, and provide credit to enable graduates to set up shops and purchase tools (HO-211, Grupo Juvenil Dion, \$67,300 over one year).
- d. In Nicaragua, a rehabilitation center for the handicapped will train 24 promoters in the field of vocational development and promote the vocational capabilities of 4,000 individuals with severe spinal disabilities (NC-156, Centro de Promoción de la Rehabilitación Integral, \$48,000 over one year).
- e. In Panama, an agroforestry association will establish a demonstration farm to promote reforestation among small-scale farmers and offer training in appropriate reforestation methods to diversify agricultural production (PN-229, Asociación Agroforestal e Industrial de Veraguas, \$93,066 over two years).
- f. In Brazil, a rural development agency will conduct training, applied research and dissemination, and public policy advocacy to assist small-scale producers in Southern

Brazil better integrate into new agricultural markets created by the Southern Cone Common Market, MERCOSUR (BR-748, Departamento Sindical de Estudos Rurais, \$51,529 over one year).

- g. In the Dominican Republic, a center for the deaf will train hearing-impaired youth in vocational skills and basic literacy, provide job placement services, and assist graduates to establish microenterprises in the local community (DR-262, Centro Alternativo Experimental del Sordo, \$37,000 over two years).
- h. In Guatemala, a grassroots support organization will organize 45 model farms; train 75 agricultural extensionists, 900 small-scale farmers, and 25 professionals in organic cultivation techniques; and complete research on local plant pesticides, medicinal plants, and three agricultural diversification systems (GT-230, ALTERTEC, \$250,200 over one year).
- i. In Jamaica, a youth support organization will provide vocational training and mentoring for 300 adolescent youth in the low-income May Pen area (JA-106, Clarendon Men's Movement, \$23,500 over two years).
- j. In Mexico, a grassroots support organization will provide training and technical assistance in organizational development, microenterprise management, small-scale agricultural production, animal husbandry, credit management, and women's production projects to over 150 Nahñu communities in Hidalgo and other low-income rural communities (ME-273, Servicios para el Desarrollo, \$46,900 over one year).
- k. In Uruguay, an applied research center will establish a clearinghouse on the Southern Cone Common Market (MERCOSUR) and provide training on regional economic integration for representatives of small-scale farmer organizations participating in MERCOSUR negotiations (UR-167, Centro de Informaciones y Estudios del Uruguay, \$72,885 over one year).
- l. In Haiti, a rural development institution will initiate a program of continuing education and technical assistance for 120 community development workers (HA-165, Institut Chretien de la Vie Rurale, \$48,817 over one year).
- m. In Ecuador, a technical education institution will improve the quality and coverage of technical skills training in Chimborazo by developing printed and radio training materials and conducting a series of courses to benefit approximately 3,500 women and 1,800 men from rural and urban communities (EC-351, Fundación para el Desarrollo Educativo y Tecnológico Comunitario, \$80,600 over two years).
- n. In Venezuela, the Foundation will co-fund with Petróleos de Venezuela a national program for the defense of children's rights through the production and distribution of

educational material and training programs for community promoters of pre-school education (VZ-109, Centros Comunitarios de Aprendizaje, \$46,700 over one year).

### 3. Enterprise Development and Management

The Foundation devoted 19% of its FY 1994 grant resources to enterprise development and management. The principal grant beneficiaries included owners and operators of small-scale businesses who are primarily migrants from rural areas. Project activities included training, technical assistance, and credit. Examples include:

- a. In Chile, a savings and loan cooperative will guarantee a \$200,000 line of credit in the Banco del Estado de Chile and make approximately 200 loans a year to microenterprises in Santiago, Valparaiso, and Concepción (CH-486, Cooperativa de Ahorro y Crédito Liberación, \$52,000 over one year).
- b. In Paraguay, a private foundation will expand a small business development program, offering loans, training and technical assistance to approximately 1,000 microentrepreneurs in Areguá (PY-171, Fundación La Candelaria, \$75,000 over 18 months).
- c. In Bolivia, a grassroots support organization will train 35 indigenous artisans in various techniques for producing pottery, bricks, and roofing tiles to utilize in microenterprises in indigenous communities of the Santa Cruz region (BO-452, Centro de Investigaciones Cerámicas, \$42,230 over two years).
- d. In Peru, a consortium of development organizations will strengthen 10 regional affiliates throughout the country and expand microenterprise development in provincial cities by providing training, internships, and technical advice to members (PU-442, Consorcio de Organismos No Gubernamentales que Apoyan a la Pequeña y Micro Empresa, \$172,800 over 30 months).
- e. In Venezuela, a cultural foundation will train 200 at-risk youth in toy production and small business management and promote micro-enterprise development in two municipalities in the Caracas metropolitan area (VZ-111, Fundación Grupo Universal de Atracciones Teatras para una Acción Cultural Orientada, \$18,914 over 18 months).
- f. In El Salvador, a community development association will provide vocational and business management training benefiting approximately 500 disadvantaged youth and women and offer loans to graduates to aid them in the establishment of small businesses (ES-155, Asociación Coordinadora para el Desarrollo de las Comunidades de la Unión y Sur de Morazán, \$86,000 over three years).

- g. In Honduras, a grassroots support organization will finance the reforestation of 266 hectares of new cashew trees, improve processing facilities, and provide training in business administration to approximately 180 small-scale farm families in the southern department of Choluteca (HO-210, Asociación Proyectos del Pueblo, \$80,000 over one year).
- h. In Nicaragua, a community development agency will create a local development fund that provides loans to 124 small-scale service, artisanal, and retail businesses in the municipality of Chichigalpa, where labor force reductions among the three largest employers have caused severe economic hardship (NC-194, Asociación para el Desarrollo Comunal con Solidaridad Internacional, \$65,000 over two years).
- i. In Panama, a national conservation association will establish a micro-credit fund and provide technical assistance and training for small-scale farmers in the Darien and Panama Canal Watershed in conservation practices, reforestation, agroforestry, and community organization (PN-224, Asociación Nacional para la Conservación de la Naturaleza, \$217,610 over two years).
- j. In the Dominican Republic, a development agency will provide credit and training to 150 microentrepreneurs in the Herrera District of western Santo Domingo, and strengthen its technical support operations in order to qualify for large-scale financing from a major microenterprise lending agency (DR-264, Centro Dominicano de Desarrollo, \$63,200 over one year).
- k. In Guatemala, a federation of artisan groups will provide eight affiliates with production and marketing assistance and access to credit to increase and upgrade member production and expand internal and international marketing opportunities, directly benefiting 8,200 indigenous artisans (GT-237, ENLACE-Guatemala, \$54,950 over one year).
- l. In Haiti, a grassroots support organization will provide training, organization building, and micro-enterprise support in 15 poor urban neighborhoods of Port-au-Prince and vicinity with a population of 20,000 (HA-163, Groupe Technologie Intermédiaire d'Haiti, \$69,551 over two years).
- m. In Mexico, a social service organization will develop a marketing program for agricultural and other goods linking producer and consumer cooperative groups in Mexico City and the states of Michoacán, Jalisco, Hidalgo, Guerrero, and Veracruz (ME-385, Secretariado Social Mexicano, \$35,258 over one year).

#### 4. Community Services

The Foundation devoted nearly 4% of its FY 1994 grant resources to support programs in preventative and curative health, self-help housing and community development. Examples of these community service initiatives follow:

- a. In Jamaica, a self-help housing center will sponsor a program of research and information on shelter issues linked to the needs of low-income women, particularly those affiliated with 100 women's organizations (JA-102, Construction Resource and Development Centre, \$39,135 over two years).
- b. In Argentina, a self-help housing program will provide organizational support and technical assistance to 350 urban families who live in inner-city tenements and abandoned buildings, and 3,000 families who live on the periphery of Buenos Aires, to resolve their housing and habitat needs and improve local living conditions (AR-301, Programa Habitat, \$151,100 over three years).
- c. In Brazil, an urban development organization will offer technical assistance in architecture and engineering, public policy analysis, and urban planning to over 350 community groups, grassroots service organizations, and government agencies in metropolitan Porto Alegre (BR-704, Centro de Assessoria e Estudos Urbanos, \$61,491 over one year).
- d. In Bolivia, a rural development organization will provide health care and agricultural services to 3,000 peasant families in the altiplano provinces of Tihuanaco and Aroma, and experiment with a health-financing plan based upon communal agricultural projects (BO-296, SUMA MANQ ANANI, \$83,994 over two years).
- e. In Honduras, a community health center will develop an alternative model of health care integrating traditional knowledge of natural medicine with existing health care systems to improve health conditions for 12,000 poor rural families (HO-201, Educación Comunitaria para la Salud, \$52,000 over one year).
- f. In Nicaragua, a community association will train and equip 160 community promoters to provide counseling and preventive health services, reaching 32,000 families in communities without access to health facilities (NC-185, Asociación para el Apoyo de la Nueva Familia en Nicaragua, \$90,000 over one year).
- g. In the Dominican Republic, a development foundation will provide health education in 15 rural communities and construct 600 household latrines (DR-273, Fundación de Desarrollo Azua, \$50,810 over two years).

- h. In Guatemala, a grassroots support organization will provide medical care and carry out a multi-level medical-odontological training program benefitting government and nongovernment organization health personnel, Santa Elena's 6,236 inhabitants, and inhabitants of 17 neighboring communities (GT-235, Asociación de Recursos Internacionales para el Desarrollo del Niño, \$64,400 over one year).
- i. In Uruguay, a health care foundation will train 80 school teachers and 92 volunteer health educators in preventive health techniques, and conduct seminars to increase the participation of pregnant women, youth and disabled persons in health prevention activities to benefit low-income residents of Las Piedras and surrounding communities (UR-170, Fundación Salud para Todos en el Año 2000, \$46,496 over one year).

##### **5. Environmental and Conservation Programs**

The Foundation expended approximately 3% of its FY 1994 grant resources to support programs in environmental protection and natural resource conservation and management, compared to 4% in FY 1993. Examples of these ecodevelopment activities follow:

- a. In Colombia, a grassroots support organization will strengthen the organizational and communication capacity of eighty nongovernmental environmental organizations and private nature reserves, and manage a small seed capital fund for sustainable productive projects implemented by youth groups (CO-471, Red Nacional de Reservas Naturales de la Sociedad Civil, \$70,000 over two years).
- b. In Peru, a federation of urban settlements will plant 4,300 seedlings and create an additional six hectares of community "green areas," and carry out environmental education activities in 18 poor neighborhoods of Ilo (PU-340, Federación de Pueblos Jóvenes y Asentamientos Humanos de Ilo, \$56,820, for two years).
- c. In Honduras, a grassroots support organization will develop physical infrastructure and support management activities to protect the Cerro Azul National Park, the source of water for over 100 rural communities in central Honduras (HO-207, Proyecto Aldea Global, \$99,730 over one year).
- d. In Dominica, an environmental institute will provide technical assistance, training, funding, and dissemination activities in support of community participation in the management of natural resources in the Eastern Caribbean (CA-089, Caribbean Natural Resources Institute, \$100,000 over 18 months).
- e. In Guatemala, a youth service organization will carry out reforestation, garbage recycling, and micro-enterprise programs in the Guatemala City communities of

Bethania and Tierra Nueva, improving the environment and health of 80,000 low-income residents (GT-234, Asociación Cristiana de Jóvenes, \$120,475 for a year).

- f. In Brazil, an environmental institution will conduct public policy analysis, environmental education and marketing activities geared to consolidating recently created extractive reserves and benefiting rubber-tapper communities in the Amazon (BR-729, Instituto de Estudos Amazônicos e Ambientais, \$70,000 over one year).
- g. In Chile, an appropriate technology center will train families and community organizations in the Alicahue Valley to reduce wood consumption, expand water storage and distribution systems, reforest eroded areas, and cultivate and process new fruit and vegetable crops using appropriate technology and organic agriculture techniques (CH-488, Centro de Experimentación y Capacitación en Tecnología Apropriada, \$56,320 over one year).
- h. In Mexico, a grassroots support organization will administer a small-projects fund providing assistance to low-income community and nongovernmental organizations for urban ecology activities, including sanitation and garbage recycling projects, in Mexico City and on the northern Mexican border. (ME-378, Fundación Demos, \$100,000 over one year).

#### 6. Applied Research and Dissemination

The Foundation allocated 5% of its FY 1994 program resources to applied research and dissemination efforts in the area of grassroots development, compared to 3% during the previous fiscal year. Examples of these activities follow:

- a. In Chile, a grassroots support organization will conduct research and offer technical assistance to 1,000 of the 26,000 small- and medium- scale entrepreneurs in El Bosque, a citizen-controlled municipal development corporation, and collaborate with business associations and municipal technicians to strengthen the local economy in this community of 175,000 people in metropolitan Santiago (CH-490, Economía y Formación, \$39,770 over one year).
- b. In Brazil, an applied research institute will carry out a research and outreach program to assess the potential for religious, corporate, and social philanthropy entities in metropolitan Rio de Janeiro for grassroots development support (BR-745, Instituto de Estudos da Religião, \$82,500 over one year).
- c. In Uruguay, a development research center will study the types of services that best promote the social and economic success of small businesses and microenterprises in Uruguay and disseminate the findings to 76 institutions that provide services to microenterprises (UR-171, Centro Interdisciplinario de Estudios Sobre el Desarrollo/

Uruguay, \$57,000 over eight months).

- d. In the Dominican Republic, a development research institute will develop and implement a comprehensive fundraising strategy to support microenterprise, health, community infrastructure, grassroots training, and organizational development programs in low-income neighborhoods of Santo Domingo, and prepare and disseminate supporting materials on possible legislative reforms to encourage corporate contributions to non-profits (DR-244, Instituto Dominicano de Desarrollo Integral, \$21,080 over one year).
- e. In Argentina, an agricultural research center will produce and disseminate information on the Southern Cone Common Market (MERCOSUR) and convene seminars with 40 leaders of small-scale farmer organizations in Argentina, identifying alternative production and marketing strategies and ways to better represent the interests of small-scale producers in MERCOSUR policymaking fora (AR-305, Centro de Estudios y Promoción Agraria, \$11,300 over one year).
- f. In Peru, an educational research center will provide technical advice and training to elected municipal officials and employees in nine districts of the Northern Cone of Metropolitan Lima, and increase citizen participation in local government through the formation of technical advisory committees (PU-376, Centro de Investigación Social y Educación Popular, \$52,976, two years).
- g. In Colombia, a community service organization will document the history, processes, and impact of development projects on indigenous and Afro-Colombian communities (CO-470, Corporación de Apoyo a Comunidades Populares, \$15,600 over 18 months).
- h. In Venezuela, a community association will assist residents of low-income neighborhoods in the city of Punto Fijo to assess and meet basic needs in health, education, community organization, and microenterprise development (VZ-114, Asociación Civil para la Atención Comunitaria a la Infancia y la Familia, \$26,275 over 18 months).
- i. In Nicaragua, a technical and inter-cultural research center will offer seminars, workshops, publications, and database access to 100 member organizations throughout Nicaragua and Central America on environmentally sustainable agriculture (NC-186, Centro de Intercambio Cultural y Técnico, \$70,000 over one year).
- j. In Costa Rica, a grassroots support organization will provide 200 Central American nongovernmental development organizations with computer-related training and technical assistance to enhance communications and access to project information (CR-301, Fundación Acceso, \$76,000 over one year).

- k. In St. Lucia, an applied research center will train 220 individuals in eight low-income communities in traditional handicraft technologies, disseminate the technologies and training experience at public exhibitions and meetings with small enterprise support agencies, and produce videos and teaching materials for distribution through community libraries, schools, and other centers (SL-012, Folk Research Centre, \$158,870 over three years).

## II. **FY 1994 Office of Outreach Highlights**

The goal of the Office of Outreach is to expand access to local private and public funding so that grassroots development organizations can reduce dependence on foreign support. The office strives to improve coordination among international donors to use available resources effectively.

Highlights of the Office of Outreach's FY 1994 activities follows:

### A. **Greater Access to Local Resources**

The Foundation has entered into 27 agreements over the past three years to co-finance grassroots development programs. This collaborative effort amounts to approximately \$14,397,605 million, with the other donors contributing \$8.7 million to the Foundation's \$5.6 million. (See the attached list). Of particular note is the agreement, signed in FY-1994 with the International Youth Foundation (IYF), in which each institution is committing \$1 million to NGOs which in turn could raise \$1 million in local matching funds. This agreement with International Youth Foundation amounts to \$3 million to support innovative programs that address the growing problems of abandoned street children and children-at-risk. In our first use of this agreement, the Foundation's contribution of \$100,000 in Venezuela has been matched by \$275,000 from three donors which included the IYF, the National Petroleum Company (PDVSA) and a Spanish donor (CODESPA).

An FY-1994 agreement with the Fundación Social in Colombia is an example of the Foundation's success in finding new sources of local funding. The Fundación Social invests approximately \$3.5 million annually in social services and social welfare programs from profits from its commercial operations. The Fundación Social, in its search to support programs which create less dependency among the poor and have a greater potential to become self-financing, has entered into an agreement with the Foundation in which each party initially contributed \$400,000 to a self-help development fund. As part of the agreement, the Fundación Social is committed to developing a national fund raising program to expand this fund. The Inter-American Development Bank has indicated their interest in supporting the fund as well.

In the Dominican Republic, we have entered into two new co-financing agreements with local and international corporations that are interested in supporting community-based development programs. In one project, the León Jiménez Corporation, a large agricultural enterprise, is co-financing a community development project valued at \$151,000. The Falconbridge Corporation is co-financing on an equal basis an eco-forestry project valued at \$120,000.

In Venezuela, we have entered into our fourth agreement with the National Petroleum Company (PDVSA) for an additional \$550,000 each. The total value of this co-financing agreement amounts to \$2.9 million over four years, with each party contributing \$1.45 million.

The Foundation also co-financed with the Fondo para La Asistencia, Promoción y Desarrollo (FAPRODE) in Mexico to develop an urban development projects carried out by NGOs in Mexico City and on the U.S./Mexico border.

- B. **Coordination With Other Donors** - The Foundation's effort to coordinate with other donors is accomplished by organizing meetings and other fora with private and multilateral donors to discuss opportunities for collaboration and the co-funding of projects. For example, the Foundation hosted a meeting of 16 corporate representatives from Brazil, Argentina, Chile, Mexico and Central America interested in developing philanthropy in their respective countries. Their visit to the United States was a result of the Foundation's collaborative work with the Kellogg Foundation. The Foundation also hosted another meeting of twelve different donors interested in supporting a regional network of NGOs working in sustainable agriculture. The Foundation has also participated in the series of "Philanthropy Along the Border" meetings organized by the Council on Foundations in which the major foundations and corporations working along the Mexican border meet with NGO leaders to explore how they can work together to solve the social and economic problems of border cities. The Director of Outreach has been invited to serve as a member of the Council's International Committee in an advisory capacity to this initiative.

Of particular note has been the Foundation's ongoing negotiations with the Inter-American Development Bank (IDB) regarding the co-funding of the Andean Consortium, a network of organizations that provide technical assistance and support services to the many NGOs we support. Our negotiations have been more specifically with the Multi-Lateral Investment Fund (MIF), discussions which we would characterize as positive and on-going.

Most recently, the Foundation also provided financial support to the Mexican Center on Philanthropy to host a meeting of corporate leaders from Mexico, Canada and the United States to explore co-funding opportunities.

**OUTREACH REPORT**  
**January 1, 1992 -- January 25, 1995**

<u>Co-Finance Organization</u>	<u>Amount</u>	<u>IAF</u>	<u>Type</u>
PDVSA I (VZ)	\$ 200,000	\$ 200,000	Fund local NGOs
PDVSA II	300,000	300,000	" " "
PDVSA III	400,000	400,000	" " "
PDVSA IV	<u>550,000</u>	<u>550,000</u>	" " "
Sub Total	\$1,450,000	\$1,450,000	
IFY/PDVSA/CODESPA	275,000	\$100,000	Youth Projects
Centro Accion (LA Reg)			
Citibank	\$ 150,000	\$ 248,633	Support start-up phase:
IDB	500,000		regular training center
UNIFEM	425,152		
World Bank/EDI*	80,000		
Calmeadow	52,000		
Accion	<u>100,000</u>		
Sub Total	\$1,307,152		
Fund. Social (CO)	400,000	400,000	Urban Project & Philanthropy Center
Fundación R. Barco (CO)	300,000	300,000	Production Project*
Fundación Corona (CO)	350,000	300,000	Urban Microenterprises*
Fundación Superior (CO)	300,000	300,000	Rural/Urban Production*
British Petroleum (CO)	700,000	60,000	Rural/Urban Production*
FES (CO)	50,000	50,000	In Country Fund (ICF)
FUDEC/Ministry (EC)	255,000	517,000	ICF
IDDI (DR)	50,000	100,000	Fund-raising with Dominican Baseball Stars
Leon Jimenez Corp (DR)	50,810	50,810	Regional Development Fund
Fundación Falconbridge (DR)	59,600	59,600	Eco/Forestry
Levi-Strauss (GU)	65,000	—	Support to 3 NGOs
Katalysis Foundation (GU)	75,000	—	Support to 2 NGOs
ANCON (PN)	130,000	102,000	Sustainable Development: w/Private Sector
Ford Foundation (BR)	145,000	157,000	Marketing/Rural
World Wildlife (BR)	55,000	---	Marketing/Rural
Ford Foundation (BR)	15,000	20,000	CIVICUS Conf.
Ford Foundation (BR)	250,000	260,000	Rural Marketing
MacArthur Found. (BR)	200,000	100,000	AIDs education
Stuart Mott Found. (BR)	15,000	20,000	Civil Society
Fund. Antorchas (AR)	100,000	100,000	National Development Fund
MacArthur Found. (MX)	300,000	---	Eco Forestry MX
Int'l Youth Found.	<u>\$2,000,000</u>	<u>1,000,000</u>	Youth projects**
<b>TOTAL</b>	<b>\$8,797,562</b>	<b>\$5,600,043</b>	

\* These are projects that are in the final stages of approval.

\*\* The International Youth Foundation Agreement is a \$3.0 million agreement in which the IAF and IYF each contribute one million to projects throughout the region, with the remaining \$1.0 million coming from local sources. The first example of how this works is found in the recently signed IAF/IYF/PDVSA/CODESPA agreement in which \$275,000 in counterpart has been raised to the IAF's \$100,000.

Note: In addition to other donors demonstrating an interest in co-financing projects with the IAF, we have also found that some donors are interested in using the expertise of our staff in placing their funds overseas by having them participate on review panels. For example, one Foundation Representative served as a panelist on a selection committee organized by Applied Energy Services (AES) which allocated \$3.2 million to NGOs working in forestry projects as a means of off-setting CO2 emissions from their energy plants. And another Representative serves on the review panel of the Thrasher Foundation which has directed \$1.5 million into NGOs over the past year.

### III. FY 1994 Learning and Dissemination Highlights

The Office of Learning and Dissemination (L&D), working with the Program Office, studies the grassroots development activities supported by the Foundation and disseminates the lessons learned. The focus is on analysis of grant results, on key trends that impact on grassroots development in Latin America and the Caribbean, and on field-based learning initiatives implemented by Foundation staff and in-country support service teams. Another source of grassroots lessons are the four unique Fellowship programs which support field research, dissemination, or study in the United States on topics of critical interest to development practitioners. L&D produces the Foundation's journal Grassroots Development in three languages, and other publications which are highly regarded and widely read by development organizations and practitioners throughout the hemisphere.

Highlights of L&D's FY 1994 activities include:

#### A. Learning

1. The staff refined the Grassroots Development Framework (GDF), the frame of reference for assessing results of Foundation-supported grants. The GDF sets parameters for project monitoring and evaluation, and is the basis for the results data base. In addition to preparing the concept paper and guidelines for implementation, staff supported tests in Uruguay and Ecuador, and preparatory work in seven other countries. The GDF was integrated with the Foundation's internal Country Planning and Budgeting (CPB) process, and into grant documentation, analysis, and follow-up. In response to keen interest, the GDF was presented to USAID, other donor agencies, PVOs, NGOs, and researchers.

2. Fourteen Regional Learning Initiatives were funded. These initiatives, which originate in the Program Office, are co-funded by L&D as a means of extracting valuable lessons about grassroots development and disseminating the information. This year's subjects included: prospects for the small-scale farmer in the MERCOSUR free trade agreements; dispute-resolution methods for grassroots organizations in the Andes; and NGO methodologies for increasing financial self-sufficiency and diversifying funding sources in the Dominican Republic.
3. Completed the draft report on the first impact assessment conducted on four rural indigenous projects in Argentina; and, completed fieldwork on the impact assessment of a small-scale farmer cooperative in Brazil.
4. Initiated four new impact assessments in Peru, El Salvador, and the Dominican Republic in the area of microenterprise, and in Uruguay in health education and training.
5. Presented briefings and seminars based on the FY 1994 publication of Nuevas Políticas Urbanas: Las ONG y los gobiernos municipales en la democratización latinoamericana in four Latin American countries, in Washington, D.C., and at four professional and development conferences in the United States.
6. Began a study of the performance and outcomes of Social Investment Funds (SIFs) and Social Emergency Funds (SEFs) and how these impact NGOs and municipal governments. These funds, established to mitigate the negative impacts of structural adjustment and to support human capital formation, mark a new approach to public-private collaboration in many Latin American countries. Funds in Chile and Ecuador have requested collaboration and guidance from the Inter-American Foundation in key areas such as monitoring and evaluation. Summaries were prepared for eight countries and, together with policy recommendations, were presented at the Inter-American Development Bank's Forum on Social Reform and Poverty.

**B. Dissemination**

1. Published two issues of Grassroots Development and one issue each of Desarrollo de Base and Desenvolvimento de Base.
2. Published the 1993 in Review in English, Spanish, and Portuguese.
3. Published the Inter-American Foundation Grassroots Development Index: 1977-1992 in English and Spanish.
4. Published the book Nuevas Políticas Urbanas: Las ONG y los gobiernos municipales en la democratización latinoamericana edited by L&D staff member Charles A. Reilly.

5. Published, through Lynne Rienner Publishers, the anthology Cultural Expression and Grassroots Development: Cases from Latin America and the Caribbean by Foundation Representative Charles D. Kleymeyer.
6. Published a teachers' guide to accompany the video Saving Their Corner of the Planet: Local Conservationists in Honduras.
7. Reprinted, in response to demand, the following books and monographs:
  - La Expresión Cultural y el Desarrollo de Base by Charles D. Kleymeyer (2,000 copies distributed to date)
  - Intermediary NGOs: The Supporting Link in Grassroots Development by Tom Carroll (650 copies distributed by the Foundation; additional volumes sold by Kumarian Press)
  - Inquiry at the Grassroots: An Inter-American Foundation Fellowship Reader by William Glade and Charles Reilly (2,000 copies distributed to date)
  - Inter-American Foundation in the Making by Robert Mashek.
8. Exhibited Foundation publications at the "InterAction" conference in Rockville, Maryland; the "Latin American Studies Association" conference in Atlanta, Georgia; the "Association for Women in Development" conference in Washington, D.C.; the "Fondo Quisqueya Returned Peace Corps Volunteers from the Dominican Republic" conference in Washington, D.C.; and the "Council on Foundations Annual Conference" in New York City.
9. Updated the Foundation's mailing list by contacting all English-language, U.S. subscribers.

#### C. Fellowship

In FY 1994, the Foundation -- which conducts the only U.S. fellowship program dedicated to grassroots development in Latin America and the Caribbean (LAC) -- implemented several goals:

- expansion of grassroots development specialists in local self-reliance and economic success in LAC countries,
- support of U.S. graduate education for new leaders in grassroots development in the LAC region, and

- strengthening of the institutional capacity of (1) nongovernmental sectors in LAC countries to promote grassroots development, and (2) U.S. universities to educate professionals about successful local development strategies in the LAC region.

The Foundation awarded 50 grants in four fellowship programs in FY 1994:

1. Three grants were made in the "Dante B. Fascell Inter-American Program" to support distinguished Latin American and Caribbean leaders for dissemination of successful approaches to grassroots development:
  - Brazil: Herbert de Souza served as the leader of the successful nation-wide campaign to mobilize local financial resources to feed the needy and end hunger in Brazil. He will disseminate "lessons learned" from this innovative, landmark partnership among private citizens, businesses, nongovernmental organizations, and governments.
  - Caribbean: Peggy Antrobus, a respected leader in grassroots development for over 35 years, will disseminate new concepts and models for the increased participation and leadership of women in grassroots development at the family, community, national, and regional levels in the Caribbean.
  - Chile: Daniela Sánchez, one of the leaders of a national alliance among private citizens, businesses, nongovernmental organizations and public institutions, will disseminate new ways to eradicate extreme poverty in Chile, focusing on expanding local capacity for small-scale enterprise and strengthening community groups for self-help initiatives.
2. 16 grants in the "U.S. Graduate Study Program for Latin American and Caribbean Citizens" from development institutions in the LAC region; and,
3. 14 grants in the "Field Research Program at the Doctoral Level" and 17 grants in the "Field Research Program at the Master's-Level" to support degree candidates enrolled in U.S. universities to conduct field research in Latin American or Caribbean countries on grassroots development topics.

In addition, the FY 1994 fellowship program:

4. supported 31 universities in 18 U.S. states (see table on following page) with \$846,000 (or 83%) of the FY 1994 fellowship budget (seventeen percent was allocated to the Fascell Program for dissemination in the LAC region);
5. leveraged \$776,000 in counterpart funds from private and university sources to the FY 1994 Foundation Fellowship budget of \$846,000;

6. awarded 75 percent of the FY 1994 Fellowship grant budget to Latin American and Caribbean citizens; and
7. reduced Foundation Fellowship program costs through free distribution of fellowship information by Centers for Latin America and the Caribbean at 22 universities in 16 U.S. states.

## 1994 IAF FELLOWS BY U.S. UNIVERSITY

U.S. STATE/DISTRICT U.S. University	USGS	Ph.D.	M.A.	Total Univ.	Total State/Dist.
ARIZONA					2
University of Arizona/Tucson	1	1		2	
CALIFORNIA					12
Stanford University			1	1	
UC/Berkeley			3	3	
UC/Davis		1	1	1	
UCLA		2	4	6	
USC/Los Angeles	1			1	
COLORADO					1
Colorado State University			1	1	
CONNECTICUT					1
University of Connecticut		1		1	
DISTRICT OF COLUMBIA					1
The George Washington Univ.	1			1	
FLORIDA					3
University of Florida		1	2	3	
GEORGIA					1
Valdosta State University	1			1	
ILLINOIS					2
Northwestern University			1	1	
UI/Urbana-Champaign		1		1	
MARYLAND					1
The Johns Hopkins University	1			1	
MASSACHUSETTS					7
Boston University	1			1	
Harvard University	1	1		2	
Mass. Institute of Technology	1	1		2	
Northeastern University			1	1	
UM/Amherst	1			1	
MICHIGAN					2
Michigan State University		1		1	
University of Michigan			1	1	
MINNESOTA					1
UM/Minneapolis	1			1	
NEW YORK					3
City University of New York		1		1	
New School for Social Research	1			1	
SUNY/Binghamton	1			1	
NORTH CAROLINA					2
North Carolina Univ./Raleigh		1		1	
UNC at Chapel Hill		1		1	
OREGON					1
University of Oregon	1			1	
PENNSYLVANIA					2
University of Pittsburgh		1	1	2	
TEXAS					3
UT/Austin	1	1	1	3	
WISCONSIN					2
UW/Madison	2			2	
TOTALS	16	14	17	47	47

31 Universities; 18 States/District

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## COUNTRY REPORTS

### SOUTHERN CONE AND BRAZIL REGION

The Office for the Southern Cone and Brazil Region obligated funds to support grants, grant supplements, in-country support services, and consultative meetings totaling \$6.9 million in FY 1994.

#### ARGENTINA

##### Program Profile FY 1994

(Grants and Amendments for Supplemental Funding)

<u>Program Area</u>	<u>Number Grants</u>	<u>Amount (\$'000's)</u>	<u>Percent</u>	<u>Intended Beneficiaries</u>
Food Production/Agriculture	4	\$ 196	19.2%	6,320
Enterprise Devt./Management	1	68	6.7%	2,000
Education/Training	7	504	49.3%	209,545
Research/Dissemination	1	41	4.0%	-
Housing	2	201	19.7%	16,750
Health	0	0	-	0
Legal Assistance	0	0	-	0
Cultural Expression	0	0	-	0
Ecodevelopment	0	0	-	3
Other	1	11	1.0%	400
<b>TOTAL</b>	<b>16</b>	<b>\$ 1,021</b>	<b>100%</b>	<b>235,015</b>

#### BRAZIL

##### Program Profile FY 1994

(Grants and Amendments for Supplemental Funding)

<u>Program Area</u>	<u>Number Grants</u>	<u>Amount (\$'000's)</u>	<u>Percent</u>	<u>Intended Beneficiaries</u>
Food Production/Agriculture	8	\$ 695	30.4%	154,000
Enterprise Devt./Management	0	0	-	0
Education/Training	17	1,098	48.0%	392,120
Research/Dissemination	5	365	15.9%	365,000
Housing	1	61	2.7%	9,000
Health	0	0	-	0
Legal Assistance	0	0	-	0
Cultural Expression	0	0	-	0
Ecodevelopment	1	70	3.0%	150,000
Other	0	0	-	0
<b>TOTAL</b>	<b>32</b>	<b>\$ 2,289</b>	<b>100%</b>	<b>1,070,120</b>

**CHILE**Program Profile FY 1994

(Grants and Amendments for Supplemental Funding)

<u>Program Area</u>	Number <u>Grants</u>	Amount <u>(\$000's)</u>	<u>Percent</u>	Intended <u>Beneficiaries</u>
Food Production/Agriculture	6	\$ 381	31.7%	413,000
Enterprise Devt./Management	4	253	21.1%	44,200
Education/Training	6	378	31.4%	107,300
Research/Dissemination	5	116	9.7%	193,500
Housing	0	0	-	0
Health	0	0	-	0
Legal Assistance	0	0	-	0
Cultural Expression	0	0	-	0
Ecodevelopment	1	56	4.7%	3,200
Other	<u>1</u>	<u>17</u>	<u>1.4%</u>	<u>800</u>
<b>TOTAL</b>	<b>23</b>	<b>\$1,201</b>	<b>100%</b>	<b>762,000</b>

**PARAGUAY**Program Profile FY 1994

(Grants and Amendments for Supplemental Funding)

<u>Program Area</u>	Number <u>Grants</u>	Amount <u>(\$000's)</u>	<u>Percent</u>	Intended <u>Beneficiaries</u>
Food Production/Agriculture	6	\$ 406	57.4%	46,050
Enterprise Devt./Management	1	75	10.6%	20,000
Education/Training	2	98	13.8%	19,500
Research/Dissemination	1	129	18.2%	750
Housing	0	0	-	0
Health	0	0	-	0
Legal Assistance	0	0	-	0
Cultural Expression	0	0	-	0
Ecodevelopment	0	0	-	0
Other	<u>0</u>	<u>0</u>	<u>-</u>	<u>0</u>
<b>TOTAL</b>	<b>10</b>	<b>\$ 708</b>	<b>100%</b>	<b>86,300</b>

**URUGUAY**  
**Program Profile FY 1994**  
 (Grants and Amendments for Supplemental Funding)

<u>Program Area</u>	<u>Number Grants</u>	<u>Amount (\$000's)</u>	<u>Percent</u>	<u>Intended Beneficiaries</u>
Food Production/Agriculture	5	\$ 245	32.9%	209,200
Enterprise Devt./Management	4	226	30.4%	12,225
Education/Training	3	170	22.8%	47,000
Research/Dissemination	1	57	7.7%	45,000
Housing	0	0	-	0
Health	1	46	6.2%	50,000
Legal Assistance	0	0	-	0
Cultural Expression	0	0	-	0
Ecodevelopment	0	0	-	0
Other	0	0	-	0
<b>TOTAL</b>	<b>14</b>	<b>\$ 744</b>	<b>100%</b>	<b>363,425</b>

**ANDEAN REGION**

The Foundation obligated funds to support grants, grant supplements, in-country support services, and consultative meetings totaling \$6.7 million in the Andean Region during FY 1994.

**BOLIVIA**Program Profile FY 1994

(Grants and Amendments for Supplemental Funding)

<u>Program Area</u>	<u>Number Grants</u>	<u>Amount (\$000's)</u>	<u>Percent</u>	<u>Intended Beneficiaries</u>
Food Production/Agriculture	6	\$ 354	32.2%	12,250
Enterprise Devt./Management	3	249	22.7%	7,000
Education/Training	1	70	6.4%	5,000
Research/Dissemination	1	86	7.8%	1,500
Housing	0	0	-	0
Health	2	166	15.1%	7,000
Legal Assistance	0	0	-	0
Cultural Expression	2	119	10.8%	2,800
Ecodevelopment	0	0	-	0
Other	<u>1</u>	<u>55</u>	<u>5.0%</u>	<u>5,000</u>
<b>TOTAL</b>	<b>16</b>	<b>\$ 1,099</b>	<b>100%</b>	<b>40,550</b>

**COLOMBIA**Program Profile FY 1994

(Grants and Amendments for Supplemental Funding)

<u>Program Area</u>	<u>Number Grants</u>	<u>Amount (\$000's)</u>	<u>Percent</u>	<u>Intended Beneficiaries</u>
Food Production/Agriculture	1	215	15.2%	5,000
Enterprise Devt./Management	3	166	11.7%	25,350
Education/Training	4	717	50.6%	95,800
Research/Dissemination	1	16	1.1%	100,000
Housing	0	0	-	0
Health	0	0	-	0
Legal Assistance	0	0	-	0
Cultural Expression	1	60	4.2%	300
Ecodevelopment	2	200	14.1%	16,000
Other	<u>1</u>	<u>44</u>	<u>3.1%</u>	<u>530</u>
<b>TOTAL</b>	<b>13</b>	<b>\$ 1,418</b>	<b>100%</b>	<b>242,980</b>

**ECUADOR**  
Program Profile FY 1994  
 (Grants and Amendments for Supplemental Funding)

<u>Program Area</u>	<u>Number Grants</u>	<u>Amount (\$000's)</u>	<u>Percent</u>	<u>Intended Beneficiaries</u>
Food Production/Agriculture	1	\$ 90	6.9%	3,400
Enterprise Devt./Management	3	186	14.2%	7,650
Education/Training	3	260	19.8%	315,000
Research/Dissemination	0	0	-	0
Housing	0	0	-	0
Health	1	35	2.7%	50,000
Legal Assistance	0	0	-	0
Cultural Expression	0	0	-	0
Ecodevelopment	0	0	-	0
Other	3	740	56.4%	530,000
<b>TOTAL</b>	<b>11</b>	<b>\$ 1,311</b>	<b>100%</b>	<b>906,050</b>

**PERU**  
Program Profile FY 1994  
 (Grants and Amendments for Supplemental Funding)

<u>Program Area</u>	<u>Number Grants</u>	<u>Amount (\$000's)</u>	<u>Percent</u>	<u>Intended Beneficiaries</u>
Food Production/Agriculture	3	\$ 439	32.8%	10,925
Enterprise Devt./Management	4	725	54.1%	25,900
Education/Training	1	30	2.2%	4,750
Research/Dissemination	1	53	4.0%	50,000
Housing	0	0	-	0
Health	0	0	-	0
Legal Assistance	0	0	-	0
Cultural Expression	1	36	2.7%	300
Ecodevelopment	1	57	4.2%	50,000
Other	0	0	-	0
<b>TOTAL</b>	<b>11</b>	<b>\$ 1,340</b>	<b>100%</b>	<b>141,875</b>

**VENEZUELA**  
**Program Profile FY 1994**  
 (Grants and Amendments for Supplemental Funding)

<u>Program Area</u>	Number <u>Grants</u>	Amount <u>(\$000's)</u>	<u>Percent</u>	Intended <u>Beneficiaries</u>
Food Production/Agriculture	5	\$ 155	28.5%	21,550
Enterprise Devt./Management	6	171	31.4%	33,475
Education/Training	4	184	33.8%	85,700
Research/Dissemination	1	26	4.8%	8,250
Housing	0	0	-	0
Health	1	8	1.5%	950
Legal Assistance	0	0	-	0
Cultural Expression	0	0	-	0
Ecodevelopment	0	0	-	0
Other	0	0	-	0
<b>TOTAL</b>	<b>17</b>	<b>\$ 544</b>	<b>100%</b>	<b>149,925</b>

**CENTRAL AMERICA REGION**

The Foundation obligated funds to support grants, grant supplements, in-country support services, and consultative meetings totaling \$7.8 million in Central America in FY 1994.

**COSTA RICA**Program Profile FY 1994

(Grants and Amendments for Supplemental Funding)

<u>Program Area</u>	Number <u>Grants</u>	Amount <u>(\$000's)</u>	<u>Percent</u>	Intended <u>Beneficiaries</u>
Food Production/Agriculture	4	\$ 374	43.0%	23,725
Enterprise Devt./Management	3	112	12.9%	425
Education/Training	3	197	22.6%	5,880
Research/Dissemination	0	0	-	0
Housing	0	0	-	0
Health	1	31	3.6%	2,000
Legal Assistance	0	0	-	0
Cultural Expression	0	0	-	0
Ecodevelopment	0	0	-	0
Other	<u>2</u>	<u>156</u>	<u>17.9%</u>	<u>11,000</u>
<b>TOTAL</b>	<b>13</b>	<b>\$ 870</b>	<b>100%</b>	<b>43,030</b>

**EL SALVADOR**Program Profile FY 1994

(Grants and Amendments for Supplemental Funding)

<u>Program Area</u>	Number <u>Grants</u>	Amount <u>(\$000's)</u>	<u>Percent</u>	Intended <u>Beneficiaries</u>
Food Production/Agriculture	13	\$ 774	39.7%	34,014
Enterprise Devt./Management	9	980	50.2%	18,326
Education/Training	1	12	0.6%	2,000
Research/Dissemination	0	0	-	0
Housing	0	0	-	0
Health	0	0	-	0
Legal Assistance	0	0	-	0
Cultural Expression	1	120	6.1%	2,000
Ecodevelopment	0	0	-	0
Other	<u>1</u>	<u>66</u>	<u>3.4%</u>	<u>230</u>
<b>TOTAL</b>	<b>25</b>	<b>\$ 1,952</b>	<b>100%</b>	<b>56,570</b>

**HONDURAS**Program Profile FY 1994

(Grants and Amendments for Supplemental Funding)

<u>Program Area</u>	<u>Number Grants</u>	<u>Amount (\$000's)</u>	<u>Percent</u>	<u>Intended Beneficiaries</u>
Food Production/Agriculture	9	\$ 682	55.6%	93,175
Enterprise Devt./Management	2	123	10.0%	2,300
Education/Training	4	270	22.0%	5,580
Research/Dissemination	0	0	-	0
Housing	0	0	-	0
Health	1	52	4.2%	60,000
Legal Assistance	0	0	-	0
Cultural Expression	0	0	-	0
Ecodevelopment	1	100	8.2%	200,000
Other	0	0	-	0
<b>TOTAL</b>	<b>17</b>	<b>\$ 1,227</b>	<b>100%</b>	<b>361,055</b>

**NICARAGUA**Program Profile FY 1994

(Grants and Amendments for Supplemental Funding)

<u>Program Area</u>	<u>Number Grants</u>	<u>Amount (\$000's)</u>	<u>Percent</u>	<u>Intended Beneficiaries</u>
Food Production/Agriculture	9	\$ 679	55.8%	13,785
Enterprise Devt./Management	2	179	14.7%	2,650
Education/Training	2	67	5.5%	6,500
Research/Dissemination	1	70	5.8%	3,800
Housing	0	0	-	0
Health	1	90	7.4%	180,000
Legal Assistance	0	0	-	0
Cultural Expression	1	66	5.4%	2,000
Ecodevelopment	0	0	-	0
Other	1	66	5.4%	1,200
<b>TOTAL</b>	<b>17</b>	<b>\$ 1,217</b>	<b>100%</b>	<b>209,935</b>

**PANAMA**  
Program Profile FY 1994  
 (Grants and Amendments for Supplemental Funding)

<u>Program Area</u>	<u>Number Grants</u>	<u>Amount (\$000's)</u>	<u>Percent</u>	<u>Intended Beneficiaries</u>
Food Production/Agriculture	11	\$ 781	50.0%	9,057
Enterprise Devt./Management	6	517	33.1%	5,800
Education/Training	2	135	8.7%	6,500
Research/Dissemination	2	49	3.1%	22,000
Housing	0	0	-	0
Health	0	0	-	0
Legal Assistance	0	0	-	0
Cultural Expression	0	0	-	0
Ecodevelopment	0	0	-	0
Other	4	80	5.1%	4,000
<b>TOTAL</b>	<b>25</b>	<b>\$ 1,562</b>	<b>100%</b>	<b>47,357</b>

**GUATEMALA, MEXICO AND CARIBBEAN REGION**

The Foundation obligated funds to support grants, grant supplements, in-country support services, and consultative meetings totaling \$6.7 million in Belize, the Dominican Republic, Guatemala, Haiti, Mexico, and Jamaica and the Eastern Caribbean Region in FY 1994.

**BELIZE****Program Profile FY 1994**

(Grants and Amendments for Supplemental Funding)

<u>Program Area</u>	<u>Number Grants</u>	<u>Amount (\$000's)</u>	<u>Percent</u>	<u>Intended Beneficiaries</u>
Food Production/Agriculture	2	\$ 225	87.5%	7,500
Enterprise Devt./Management	0	0	-	0
Education/Training	1	32	12.5%	5,000
Research/Dissemination	0	0	-	0
Housing	0	0	-	0
Health	0	0	-	0
Legal Assistance	0	0	-	0
Cultural Expression	0	0	-	0
Ecodevelopment	0	0	-	0
Other	0	0	-	0
<b>TOTAL</b>	<b>3</b>	<b>\$ 257</b>	<b>100%</b>	<b>12,500</b>

**DOMINICAN REPUBLIC****Program Profile FY 1994**

(Grants and Amendments for Supplemental Funding)

<u>Program Area</u>	<u>Number Grants</u>	<u>Amount (\$000's)</u>	<u>Percent</u>	<u>Intended Beneficiaries</u>
Food Production/Agriculture	8	\$ 545	49.0%	19,600
Enterprise Devt./Management	3	136	12.2%	2,970
Education/Training	6	319	28.7%	180,850
Research/Dissemination	0	0	-	0
Housing	0	0	-	0
Health	2	91	8.2%	5,575
Legal Assistance	0	0	-	0
Cultural Expression	0	0	-	0
Ecodevelopment	0	0	-	0
Other	1	21	1.9%	212,000
<b>TOTAL</b>	<b>20</b>	<b>\$ 1,112</b>	<b>100%</b>	<b>420,995</b>

**GUATEMALA**  
Program Profile FY 1994  
 (Grants and Amendments for Supplemental Funding)

<u>Program Area</u>	<u>Number Grants</u>	<u>Amount (\$000's)</u>	<u>Percent</u>	<u>Intended Beneficiaries</u>
Food Production/Agriculture	2	\$ 326	24.3%	12,000
Enterprise Devt./Management	3	158	11.8%	85,000
Education/Training	4	556	41.5%	25,500
Research/Dissemination	1	116	8.6%	50,000
Housing	0	0	-	0
Health	1	64	4.8%	12,000
Legal Assistance	0	0	-	0
Cultural Expression	0	0	-	0
Ecodevelopment	1	121	9.0%	80,000
Other	0	0	-	0
<b>TOTAL</b>	<b>12</b>	<b>\$ 1,341</b>	<b>100%</b>	<b>264,500</b>

**HAITI**  
Program Profile FY 1994  
 (Grants and Amendments for Supplemental Funding)

<u>Program Area</u>	<u>Number Grants</u>	<u>Amount (\$000's)</u>	<u>Percent</u>	<u>Intended Beneficiaries</u>
Food Production/Agriculture	6	\$ 204	30.3%	283,000
Enterprise Devt./Management	2	102	15.2%	175,480
Education/Training	4	218	32.4%	124,000
Research/Dissemination	1	79	11.7%	3,000
Housing	0	0	-	0
Health	0	0	-	0
Legal Assistance	0	0	-	0
Cultural Expression	0	0	-	0
Ecodevelopment	0	0	-	0
Other	1	70	10.4%	20,000
<b>TOTAL</b>	<b>14</b>	<b>\$ 673</b>	<b>100%</b>	<b>605,480</b>

**JAMAICA & THE EASTERN CARIBBEAN**  
**Program Profile FY 1994**  
 (Grants and Amendments for Supplemental Funding)

<u>Program Area</u>	<u>Number Grants</u>	<u>Amount (\$000's)</u>	<u>Percent</u>	<u>Intended Beneficiaries</u>
Food Production/Agriculture	0	\$ 0	-	0
Enterprise Devt./Management	1	15	3.0%	500
Education/Training	4	257	50.9%	55,820
Research/Dissemination	0	0	-	0
Housing	1	39	7.7%	12,000
Health	0	0	-	0
Legal Assistance	0	0	-	0
Cultural Expression	1	84	16.6%	10,000
Ecodevelopment	2	110	21.8%	500
Other	<u>0</u>	<u>0</u>	-	<u>0</u>
<b>TOTAL</b>	<b>9</b>	<b>\$ 505</b>	<b>100%</b>	<b>78,820</b>

**MEXICO**  
**Program Profile FY 1994**  
 (Grants and Amendments for Supplemental Funding)

<u>Program Area</u>	<u>Number Grants</u>	<u>Amount (\$000's)</u>	<u>Percent</u>	<u>Intended Beneficiaries</u>
Food Production/Agriculture	17	\$ 1,100	57.2%	489,650
Enterprise Devt./Management	3	75	3.9%	25,650
Education/Training	6	348	18.1%	156,250
Research/Dissemination	1	23	1.2%	2,000
Housing	0	0	-	0
Health	0	0	-	0
Legal Assistance	0	0	-	0
Cultural Expression	0	0	-	0
Ecodevelopment	1	75	3.9%	16,500
Other	<u>3</u>	<u>301</u>	<u>15.7%</u>	<u>41,800</u>
<b>TOTAL</b>	<b>31</b>	<b>\$ 1,922</b>	<b>100%</b>	<b>731,850</b>

LATIN AMERICAN AND CARIBBEAN REGIONAL GRANTS

The Foundation obligated funds to support regional grants, grant supplements, and consultative meetings totaling \$360,420 in FY 1994.

Program Profile FY 1994

(Grants and Amendments for Supplemental Funding)

<u>Program Area</u>	<u>Number Grants</u>	<u>Amount (\$000's)</u>	<u>Percent</u>	<u>Intended Beneficiaries</u>
Food Production/Agriculture	0	\$ 0	-	0
Enterprise Devt./Management	0	0	-	0
Education/Training	1	134	37.9%	28,000
Research/Dissemination	1	100	28.2%	50,000
Housing	0	0	-	0
Health	0	0	-	0
Legal Assistance	0	0	-	0
Cultural Expression	0	0	-	0
Ecodevelopment	0	0	-	0
Other	2	120	33.9%	505,000
TOTAL	4	\$ 354	100%	583,000

**THE  
INTER-AMERICAN FOUNDATION  
IN NUMBERS:**

**1971 - 1994**

**January 1995**

**CONTENTS****Introduction****Section A. The Inter-American Foundation: 1971-1994****Tables**

- 1 Annual IAF Obligations by Grants & Other Programs and Administrative Costs for 1971-1994  
 2 IAF Program Budget Sources for 1972-1994

**Section B. Inter-American Foundation Grants: 1972-1994**

- 3 Cumulative Obligations and Number of IAF Grants by Country for 1972-1994  
 3-A Cumulative Obligations and Number of IAF Grants by Caribbean Country for 1972-1994  
 4 Cumulative Obligations and Number of IAF Grants by Geographic Region for 1972-1994  
 5 IAF Grant Obligations by Country for 1972-1994  
 5-A IAF Grant Obligations by Caribbean Country for 1972-1994  
 6 Total Number of New IAF Grants Obligated by Country for 1972-1994  
 6-A Total Number of New IAF Grants Obligated by Caribbean Country for 1972-1994  
 7 Five Countries Receiving Highest IAF Grant Obligations for 1972-1994

**Section C. Grantee Counterpart Contributions to Inter-American Foundation Grants: 1972-1994**

- 8 Grantee Counterpart Contributions for 1972-1994

**Section D. Program Areas of Inter-American Foundation Grants: 1972-1994**

- 9 IAF Grant Obligations by Program Area for 1972-1990  
 9-A IAF Grant Obligations by Program Area for 1991-1994

**Section E. Inter-American Fellowship Programs: 1974-1994**

- 10 Cumulative Number of IAF Fellowship Awards for 1974-1994  
 11 Cumulative Number of IAF Fellows by Country of Field Research for 1974-1994  
 12 Cumulative Number of IAF Fellows by Country of Residence for 1982-1994  
 13 Cumulative Number of IAF Fellows by University Affiliation for 1974-1994  
 14 Cumulative Number of IAF Fellows by Academic Department for 1974-1994  
 15 Cumulative Number of IAF Fellows by Program Area for 1974-1994  
 15-A Number of IAF Fellowship Awards by Program Area for 1991-1994

## INTRODUCTION

When the U.S. Congress created the Inter-American Foundation in 1969 as an autonomous public corporation, it was looking for new approaches to development assistance. Congress mandated that the Foundation work not on a government-to-government but on a people-to-people basis. It established the Foundation to support the efforts of indigenous private groups and to respond directly to the initiatives of poor people organizing to promote their own development. Moreover, Congress intended that the Foundation be attentive to the economic as well as the social and civic aspects of development at the grassroots level.

By the end of Fiscal Year 1994, the Foundation had made 3,810 grants totalling over \$410 million to strengthen the self-help efforts of poor people. The Foundation's grants have responded to requests from a great diversity of groups, both rural and urban, helping them to improve the social and economic situations of their members. The Foundation has also assisted intermediary organizations in Latin America and the Caribbean that are working to foster cooperation among grassroots groups and provide them with financial and technical services. Many grants have supported efforts to overcome the special problems of the severely disadvantaged - ethnic and racial minorities, subsistence farmers, the rural landless, poor women, and unemployed youth.

In its grant-making, the Foundation also promotes learning and understanding about grassroots development - in the first instance to enrich directly the work of the organizations and individuals it supports, and in the second instance to enhance the quality of the Foundation's own activities and to generate new ways of thinking and acting on development problems throughout the hemisphere.

The Inter-American Foundation in Numbers: 1971-1994 is a statistical profile of the Foundation's grant-making activities. It includes the Foundation's operations for the twenty-two year period covering Fiscal Years 1971 through 1994. It provides information on the Foundation's support of local organizations in Latin America and the Caribbean and on the Foundation's Fellowship Program.

This collection of numbers, however, provides only a limited vision of what the Foundation is and what it does. Indeed, taken by themselves, the numbers can be misleading. They do not reveal the qualitative dimensions of IAF activities. They say nothing about the special ways that the Foundation pursues its work or about the struggles, frustrations, and accomplishments of those who receive grants. The best sources of information about the Foundation are the individuals and organizations which the Foundation supports in Latin America and the Caribbean.

SECTION ATHE INTER-AMERICAN FOUNDATION: 1971-1994

The Inter-American Foundation was created by Congress in 1969 and began operations in 1971. Consistent with its Congressional mandate, the Foundation throughout its history has represented a very small part of the U. S. foreign assistance program.

Annual IAF obligations for the period of 1980-1994 ranged from approximately \$26 million to \$38 million. In Fiscal Year 1994, the Foundation's obligations reached approximately \$38 million.

In budgetary terms, most of the Foundation's resources have been used to make grants to private indigenous organizations in Latin America and the Caribbean. The Foundation's enabling legislation limited the staff to 100 persons, but, in practice, it has never exceeded the equivalent of 74 employees.

Table 1

ANNUAL IAF OBLIGATIONS by  
GRANTS & OTHER PROGRAMS and ADMINISTRATIVE COSTS for 1971 - 1994  
(\$ in thousands)

Fiscal Year	Grants & Other Programs *		Administrative Costs		Total	IAF Staff
1971	-		\$ 376	100%	\$ 376	29
1972	\$ 2,794	71%	1,125	29%	3,919	50
1973	2,998	67%	1,482	33%	4,480	52
1974	12,704	89%	1,604	11%	14,308	62
1975	13,650	88%	1,889	12%	15,539	68
1976 **	12,592	83%	2,552	17%	15,144	67
1977	15,244	87%	2,181	13%	17,425	57
1978	12,185	85%	2,219	15%	14,404	63
1979	17,358	87%	2,488	13%	19,846	65
1980	22,962	89%	2,943	11%	25,905	64
1981	22,587	87%	3,330	13%	25,917	60
1982	22,410	86%	3,631	14%	26,041	62
1983	18,913	83%	3,894	17%	22,807	63
1984	19,221	82%	4,095	18%	23,316	67
1985	24,709	85%	4,465	15%	29,174	67
1986	22,009	82%	4,678	18%	26,687	67
1987	22,254	83%	4,406	17%	26,660	67
1988	23,646	83%	4,769	17%	28,415	68
1989	25,516	84%	5,031	16%	30,547	65
1990	23,173	81%	5,510	19%	28,683	67
1991	31,322	85%	5,730	15%	37,052	68
1992	26,390	79%	7,083	21%	33,473	70
1993	30,562	81%	7,184	19%	37,746	68
1994	30,623	80%	7,486	20%	38,109	74
Total	\$ 455,822	83%	\$ 90,151	17%	\$ 545,973	

\* Other program activities, which were initiated by the IAF to support grassroots development, have included such items as evaluations, fellowships, in-country technical assistance and publications. Approximately \$46 million has been utilized for this purpose during Fiscal Years 1972-1994.

\*\* FY 1976 includes three months of transition period 1976 when the beginning of the fiscal year was changed from July 1 to October 1. FY 1976 therefore equals a 15-month period. This approach is used to organize fiscal data on all the tables in this volume.

Table 2

IAF PROGRAM BUDGET SOURCES for 1972-1994\*  
(\$ in thousands)

Fiscal Year	Congressional Appropriations		Social Progress Trust Fund		Total
1972	\$ 2,794	100%		-	\$ 2,794
1973	2,998	100%		-	2,998
1974	7,210	57%	\$ 5,494	43%	12,704
1975	4,524	33%	9,126	67%	13,650
1976	5,257	42%	7,335	58%	12,592
1977	4,240	28%	11,004	72%	15,244
1978	3,905	32%	8,280	68%	12,185
1979	10,543	61%	6,815	39%	17,358
1980	8,945	39%	14,017	61%	22,962
1981	11,691	52%	10,896	48%	22,587
1982	11,952	53%	10,458	47%	22,410
1983	9,657	51%	9,256	49%	18,913
1984	9,041	47%	10,180	53%	19,221
1985	8,974	36%	15,735	64%	24,709
1986	7,119	32%	14,890	68%	22,009
1987	8,078	36%	14,176	64%	22,254
1988	8,918	38%	14,728	62%	23,646
1989	12,766	50%	12,750	50%	25,516
1990	12,580	54%	10,593	46%	23,173
1991	18,264	58%	13,058	42%	31,322
1992	17,773	67%	8,617	33%	26,390
1993	23,318	76%	7,244	24%	30,562
1994	22,969	75%	7,654	25%	30,623
Total	\$ 233,516	51%	\$ 222,306	49%	\$ 455,822

\* The Foundation's funds come from Congressional appropriations and from the Social Progress Trust Fund. The Fund, which is administered by the Inter-American Development Bank, holds repayments from loans made to Latin American and Caribbean countries under the Alliance for Progress from contributions by the U.S. Government.

SECTION B

INTER-AMERICAN FOUNDATION GRANTS: 1972-1994

The Foundation has made 3,810 grants totalling over \$410 million in 36 countries of Latin America and the Caribbean between FY 1972 and FY 1994.

During the IAF's history, the average amount of grant funds provided to grantees was \$108,000. In FY 1994, the average new grant size was \$76,362. More than half of all grantees between FY 1972 and FY 1994 received grant funds totaling less than \$62,000.

Table 3

CUMULATIVE OBLIGATIONS and NUMBER of IAF GRANTS  
by COUNTRY for 1972-1994\*

<u>Country</u>	<u>Amount</u> <u>(\$ thousands)</u>	<u>Number</u> <u>of Grants</u>	<u>Average</u> <u>(\$ thousands)</u>
Chile	39,767	243	\$164
Colombia	31,913	273	117
Peru	29,642	197	150
Mexico	29,263	271	108
Brazil	29,516	298	99
Bolivia	23,465	212	111
Argentina	21,107	194	109
Paraguay	15,994	130	123
Dominican Republic	16,490	182	91
Ecuador	17,409	140	124
Uruguay	15,448	123	126
Guatemala	17,232	141	122
Honduras	15,797	128	123
Panama	17,054	158	108
Costa Rica	13,528	207	65
El Salvador	14,977	129	116
Nicaragua	14,156	106	134
Haiti	10,198	107	95
Venezuela	7,359	81	91
Jamaica	3,730	62	60
Other Caribbean**	17,957	312	58
Latin American Regional***	7,829	116	67
<b>Total</b>	<b>\$409,831</b>	<b>3,810</b>	<b>\$108</b>

\* Includes grants and supplements to them.

\*\* See Table 3-A.

\*\*\* Includes research projects as well as other development projects affecting more than one country.

Table 3-A

CUMULATIVE OBLIGATIONS and NUMBER of IAF GRANTS  
by Caribbean COUNTRY for 1972-1994\*

<u>Country</u>	<u>Amount</u> (\$ thousands)	<u>Number</u> <u>of Grants</u>	<u>Average</u> (\$ thousands)
Belize	\$3,649	77	\$47
Dominica	2,282	75	30
Barbados	920	11	84
St. Vincent	746	12	62
Trinidad and Tobago	673	12	56
St. Kitts-Nevis	541	6	90
Grenada	540	17	32
Antigua	507	8	63
St. Lucia	679	12	57
Suriname	347	3	116
Guyana	294	7	42
Bahamas	144	7	21
Netherlands Antilles	126	2	63
Turks and Caicos	12	2	6
Anguilla	3	1	3
Montserrat	3	1	3
Caribbean Regional**	6,491	59	110
<b>Total</b>	<b>\$17,957</b>	<b>312</b>	<b>\$58</b>

\* Includes grants and supplements to them.

\*\* Includes research projects as well as other development projects affecting more than one country.

Table 4

CUMULATIVE OBLIGATIONS and NUMBER of IAF GRANTS  
by GEOGRAPHIC REGION for 1972-1994\*

Country	Amount (\$ thousands)	Number of Grants
CENTRAL AMERICA		
Costa Rica	13,528	207
El Salvador	14,977	129
Honduras	15,797	128
Nicaragua	14,156	106
Panama	17,054	158
	\$75,512	728
GUATEMALA, MEXICO, CARIBBEAN		
Dominican Republic	16,490	182
Haiti	10,198	107
Mexico	29,263	271
Jamaica	3,730	62
Guatemala	17,232	141
Other Caribbean	17,957	312
	\$94,870	1,075
ANDEAN COUNTRIES		
Bolivia	23,465	212
Colombia	31,913	273
Ecuador	17,409	140
Peru	29,642	197
Venezuela	7,359	81
	\$109,788	903
SOUTHERN CONE		
Argentina	21,107	194
Brazil	29,516	298
Chile	39,767	243
Paraguay	15,994	130
Uruguay	15,448	123
	\$121,832	988
Latin American Regional**	7,829	116
Total	\$409,831	3,810

\* Includes grants and supplements to them.

\*\* Includes research projects as well as other development projects affecting more than one country.

Table 5

## IAF GRANT OBLIGATIONS by COUNTRY for 1972-1994\*

(\$ in thousands)

COUNTRY	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1987	1988	1989	1990	1991	1992	1993	1994	TOTAL		
Chile	-	51	750	1,378	4,303	3,427	1,816	4,124	3,006	3,237	3,213	1,829	1,089	1,251	1,137	1,084	1,038	1,017	1,080	1,515	643	1,088	1,202	36,787	
Colombia	613	262	854	708	972	1,281	960	1,585	1,933	2,630	1,901	1,654	3,443	2,189	1,868	937	985	1,553	1,311	1,512	967	1,248	1,421	31,913	
Peru	58	-	129	413	32	1,377	3,635	1,064	4,188	1,822	1,735	1,318	972	2,126	1,913	1,012	1,070	1,631	910	1,507	1,009	870	1,341	28,842	
Mexico	900	7	767	925	467	953	1,792	2,541	1,131	1,497	1,934	1,161	1,130	771	647	1,099	1,720	1,484	2,170	1,846	2,010	1,849	2,029	26,283	
Brazil	295	877	2,407	916	990	1,996	326	1**	-**	-**	-**	978	1,246	1,594	1,976	1,941	1,872	2,375	1,957	2,273	2,302	2,302	2,518	26,518	
Bolivia	-	-	1,292	900	634	392	506	161	1,449	1,354	1,553	1,434	1,827	1,849	1,186	883	1,241	1,164	982	1,302	1,130	1,114	1,105	25,486	
Argentina	-	-	29	514	289	619	181	656	2,067	1,016	410	949	1,347	922	1,391	2,420	1,680	1,782	1,186	1,032	964	927	1,027	21,107	
Paraguay	-	-	819	238	908	1,516	272	866	910	1,544	1,535	835	568	721	154	640	815	833	968	862	591	771	710	15,984	
Uruguay	-	-	234	414	220	250	320	1,208	1,029	835	2,189	1,103	1,188	435	815	504	385	991	647	813	919	719	745	15,448	
Dominican Rep.	468	-	22	561	72	281	520	323	1,336	1,669	1,632	1,349	483	367	968	567	701	809	706	1,069	653	686	1,112	16,490	
Ecuador	72	-	470	379	445	578	4	541	923	282	852	1,088	336	934	1,004	1,289	1,224	1,134	1,105	1,545	1,031	1,432	1,323	17,408	
Costa Rica	-	-	241	352	17	23	30	25	766	205	933	698	1,351	2,038	1,224	610	455	979	653	1,006	525	788	871	13,528	
Honduras	119	529	763	798	34	41	23	229	903	531	97	956	560	549	957	558	917	1,248	854	1,535	768	1,211	1,229	15,797	
Guatemala	-	-	110	222	638	894	438	-	113	374	1,389	492	283	134	1,009	560	1,116	1,427	1,118	1,394	1,795	1,397	1,348	17,232	
Panama	6	9	1,369	377	473	636	542	121	328	967	107	481	68	656	929	879	939	609	703	1,468	2,225	1,708	1,563	17,054	
Haiti	-	-	22	439	67	221	260	63	301	378	868	174	227	588	838	860	1,997	248	497	473	843	25	939	874	10,168
Nicaragua	-	-	613	171	662	-	356	304	1,278	208	450	383	106	730	6	-	513	417	482	1,116	2,179	1,528	1,220	14,159	
El Salvador	628	-	493	649	1,035	4	-	116	19	413	1	4	2	12	323	805	1,369	961	1,143	1,313	1,439	2,033	1,953	14,977	
Jamaica	10	49	161	29	160	186	25	696	211	514	42	64	134	154	279	60	281	171	78	169	154	81	115	3,730	
Other Carib.***	9	463	661	828	505	979	712	668	665	1,990	1,334	1,008	706	1,160	655	854	966	860	908	1,160	963	570	847	17,957	
Latin American Region****	8	5	65	400	162	123	160	110	753	402	504	487	99	1,754	88	121	222	309	493	654	249	349	355	7,829	
TOTAL	2,794	2,998	12,630	13,571	12,485	14,963	11,881	19,949	22,443	21,811	21,206	17,963	22,659	18,817	16,553	20,287	22,026	16,414	26,933	21,917	24,429	24,739	406,931		

\* Annual totals include obligations for new grants and supplements to grants originally obligated in any fiscal year.

\*\* The Foundation's activities in Brazil were suspended in 1978. Activity resumed in 1983.

\*\*\* See Table 5--A.

\*\*\*\* Includes research projects as well as other development projects afflicting more than one country.

Table 5 - A

IAF GRANT OBLIGATIONS by CARIBBEAN COUNTRY for 1972-1994\*  
(\$ in thousands)

COUNTRY	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	TOTAL	
Dominica	-	-	92	192	59	22	86	101	232	199	120	386	111	121	160	101	9	-	148	84	15	22	22	2,282	
Belize	-	5	56	41	36	-	10	93	7	249	300	55	57	249	191	244	289	323	258	281	287	361	257	3,649	
Barbados	-	278	37	35	112	223	-	-	-	4	-	5	61	38	-	-	-	-	43	-	1	-	-	84	921
St. Vincent	-	-	-	-	-	-	85	19	79	305	-	25	35	26	13	81	-	-	17	61	-	-	-	-	746
St. Kitts-Nevis	-	-	-	-	-	-	-	11	11	229	-	46	2	169	49	-	24	-	-	-	-	-	-	-	541
Trinidad/Tobago	9	49	256	2	4	5	44	115	-	-	-	-	-	-	-	-	-	-	53	38	32	66	-	673	
Antigua	-	-	-	134	-	-	25	-	-	-	47	-	84	76	-	36	-	84	21	-	-	-	-	-	507
Suriname	-	-	-	-	-	-	-	-	-	285	-	62	-	-	-	-	-	-	-	-	-	-	-	-	347
Grenada	-	-	-	-	-	-	4	73	4	4	-	4	-	12	11	146	79	148	32	23	-	-	-	-	540
Guyana	-	71	17	7	-	-	-	-	-	51	100	6	15	5	1	-	21	-	-	-	-	-	-	-	294
St. Lucia	-	-	-	-	-	-	-	-	31	5	26	-	105	42	-	-	146	60	72	32	-	-	-	-	678
Bahamas	-	-	-	-	-	-	-	-	14	6	79	-	24	-	21	-	-	-	-	-	-	-	-	-	144
Netherlands Ant	-	-	-	-	-	-	-	-	-	112	14	-	-	-	-	-	-	-	-	-	-	-	-	-	126
Turks/Caicos	-	-	-	-	-	-	-	-	-	-	-	-	-	3	6	-	3	-	-	-	-	-	-	-	12
Anguilla	-	-	-	-	-	-	-	-	-	-	3	-	-	-	-	-	-	-	-	-	-	-	-	-	3
Montserrat	-	-	-	-	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3
Carib. Regi**	-	-	503	251	157	329	587	272	263	559	132	462	286	514	28	265	404	130	276	601	226	121	125	-	6,491
<b>TOTAL</b>	<b>9</b>	<b>403</b>	<b>981</b>	<b>528</b>	<b>505</b>	<b>579</b>	<b>712</b>	<b>666</b>	<b>665</b>	<b>1,590</b>	<b>1,334</b>	<b>1,006</b>	<b>709</b>	<b>1,160</b>	<b>655</b>	<b>854</b>	<b>886</b>	<b>855</b>	<b>908</b>	<b>1,160</b>	<b>593</b>	<b>570</b>	<b>647</b>	<b>-</b>	<b>17,957</b>

\* Annual totals include obligations for new grants and supplements to grants originally obligated in any fiscal year.

\*\* Includes research projects as well as other development projects affecting more than one country.

Table 6

TOTAL NUMBER OF NEW IAF GRANTS OBLIGATED by COUNTRY for 1972-1994\*

COUNTRY	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	TOTAL	
Brazil	6	15	20	15	21	54	1	--	--	--	--	12	16	26	21	17	16	15	15	13	8	3	4	288	
Colombia	4	3	7	9	6	11	10	12	10	14	21	19	15	17	21	12	12	15	18	14	9	7	7	273	
Chile	1	1	3	5	6	12	13	16	13	33	33	17	11	12	10	16	8	10	10	9	5	9	6	243	
Mexico	1	1	13	11	10	10	13	19	13	18	10	5	12	13	15	13	17	14	15	12	12	12	11	271	
Peru	1	1	5	2	1	6	10	6	15	16	21	16	11	17	14	8	4	7	6	5	6	5	8	197	
Bolivia	1	1	6	7	8	3	3	10	17	23	19	16	13	14	9	17	10	6	7	7	7	13	4	212	
Costa Rica	1	1	3	2	3	1	3	6	5	15	13	12	27	31	12	10	10	8	16	11	11	7	9	207	
Argentina	1	1	2	4	4	6	5	9	9	10	7	18	13	13	13	20	17	13	10	7	2	5	9	194	
Dominican Rep.	1	1	1	1	1	2	4	6	16	7	8	7	6	24	19	6	13	11	13	8	10	14	14	182	
Ecuador	1	1	6	4	3	4	1	3	3	7	9	7	12	10	11	11	9	15	5	6	5	4	4	140	
Uruguay	1	1	3	5	3	6	7	7	7	9	12	4	6	7	8	3	7	8	6	6	6	6	2	123	
Paraguay	1	1	2	8	5	4	2	5	2	18	9	8	8	7	4	6	8	9	6	4	7	6	6	130	
Panama	1	1	6	7	2	6	5	2	2	7	5	4	2	7	12	7	4	3	8	15	21	13	16	158	
Guatemala	1	1	3	4	7	4	6	2	6	6	3	1	1	6	11	12	19	15	7	9	8	4	5	141	
Haiti	1	1	2	7	1	1	3	2	1	5	6	4	7	6	9	8	12	4	7	4	5	4	9	107	
Honduras	1	2	5	4	4	4	1	3	5	4	6	7	5	6	9	12	10	13	7	10	5	5	8	128	
Nicaragua	1	2	3	4	4	4	3	5	7	4	9	2	1	2	2	2	4	5	6	9	17	9	10	106	
Jamaica	1	1	5	2	1	2	2	4	3	9	1	1	3	4	5	4	2	2	2	2	2	3	3	62	
El Salvador	1	1	4	4	5	1	1	1	1	1	1	1	1	1	3	13	10	8	12	14	14	19	17	129	
Venezuela	1	1	1	1	2	1	1	1	1	1	1	1	1	4	4	7	6	7	3	7	6	5	11	12	81
Caribbean***	1	6	14	12	13	6	6	17	36	33	23	18	12	16	16	15	9	11	18	9	7	6	4	312	
Latin American	1	1	6	13	6	6	2	3	15	10	10	9	5	6	2	3	2	2	3	2	3	2	2	116	
Regional****	20	39	126	128	107	150	86	128	178	220	235	206	170	231	254	234	188	208	191	196	166	169	166	3,810	

\* Excludes grant supplements.

\*\* The Foundation's activities in Brazil were suspended in 1978. Activity resumed in 1983.

\*\*\* See Table 6-A.

\*\*\*\* Includes research projects as well as other development projects affecting more than one country.

Table 6-A  
 TOTAL NUMBER OF NEW IAF GRANTS OBLIGATED BY CARIBBEAN COUNTRY for 1972-1994\*

Country	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1993	Total	
Dominica	-	1	2	1	4	2	3	4	24	8	2	7	2	4	3	3	-	-	3	2	-	-	-	75	
Belize	-	1	3	3	-	-	-	3	2	7	10	4	1	4	5	5	4	6	5	4	4	4	5	1	77
Grenada	-	1	-	-	-	-	1	4	1	1	-	-	-	1	1	4	1	1	1	1	-	-	-	17	
Trinidad & Tobago	1	1	3	1	1	-	-	1	1	1	-	-	-	-	-	-	-	-	2	-	-	-	1	12	
Barbados	-	2	1	1	-	1	-	-	-	-	1	1	1	1	1	1	-	-	1	-	-	-	-	11	
St. Vincent	-	-	-	-	-	-	1	2	2	1	1	1	2	2	1	1	1	-	-	1	-	-	-	12	
Bahamas	-	-	-	-	-	-	-	2	1	1	1	-	2	1	1	-	-	-	-	-	-	-	-	7	
Guyana	-	1	1	-	-	-	-	-	1	1	2	-	1	-	1	-	1	-	-	-	-	-	-	7	
St Kitts - Nevis	-	-	-	-	-	-	-	-	1	1	1	1	1	1	2	-	-	-	2	2	1	-	1	6	
St Lucia	-	-	-	-	-	-	-	-	1	1	1	2	1	1	1	-	-	2	2	2	1	-	1	12	
Antigua	-	-	-	-	2	-	-	-	-	-	1	-	1	1	-	1	-	1	1	1	-	-	-	8	
Suriname	-	-	-	-	-	-	-	-	-	3	-	-	-	-	-	-	-	-	-	-	-	-	-	3	
Netherlands Ant.	-	-	-	-	-	-	-	-	1	1	-	-	-	-	-	-	-	-	-	-	-	-	-	2	
Turks & Caicos	-	-	-	-	-	-	-	-	-	-	-	-	1	1	-	-	-	-	-	-	-	-	-	2	
Anguilla	-	-	-	-	-	-	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	1	
Montserrat	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	
Caribbean Regl**	-	4	6	5	3	2	4	5	6	2	4	3	3	3	1	1	2	1	3	2	2	-	-	59	
Total	1	6	14	12	13	6	6	17	36	33	23	16	12	16	16	15	9	11	18	9	7	6	6	312	

\* Excludes grant supplements.

\*\* Includes research projects as well as other development projects affecting more than one country.

Table 7  
FIVE COUNTRIES RECEIVING HIGHEST IAF GRANT OBLIGATIONS FOR 1972 - 1994\*  
(\$ in thousands)

1972			1973			1974		
Country	Amount	% of Total	Country	Amount	% of Total	Country	Amount	% of Total
El Salvador	626	22%	Brazil	677	29%	Brazil	2,407	19%
Colombia	613	22%	Honduras	529	18%	Panama	1,366	11%
Mexico	500	18%	Nicaragua	513	17%	Bolivia	1,252	10%
Dominican Rep.	468	17%	Colombia	362	12%	Colombia	854	7%
Brazil	265	11%	Berمودoc	276	9%	Paraguay	819	6%
Other Countries	292	10%	Other Countries	439	15%	Other Countries	5,952	47%
Total	2,794	100%	Total	2,998	100%	Total	12,630	100%

1975			1976			1977		
Country	Amount	% of Total	Country	Amount	% of Total	Country	Amount	% of Total
Chile	1,876	14%	Chile	4,303	35%	Chile	3,427	23%
Honduras	1,796	13%	El Salvador	1,035	8%	Brazil	1,696	11%
Mexico	925	7%	Brazil	966	8%	Paraguay	1,516	10%
Brazil	916	7%	Colombia	972	8%	Peru	1,377	9%
Bolivia	900	7%	Bolivia	934	7%	Colombia	1,251	8%
Other Countries	7,159	53%	Other Countries	4,215	34%	Other Countries	5,726	38%
Total	13,571	100%	Total	12,455	100%	Total	14,993	100%

1978			1979			1980		
Country	Amount	% of Total	Country	Amount	% of Total	Country	Amount	% of Total
Peru	3,635	31%	Chile	4,124	24%	Peru	4,188	19%
Chile	1,616	15%	Mexico	2,541	15%	Chile	3,005	13%
Mexico	1,792	15%	Nicaragua	1,598	9%	Argentina	2,067	9%
Panama	642	5%	Colombia	1,565	9%	Colombia	1,633	7%
Bolivia	506	4%	Uruguay	1,298	8%	Bolivia	1,449	6%
Other Countries	3,480	29%	Other Countries	5,823	34%	Other Countries	10,101	45%
Total	11,661	100%	Total	16,948	100%	Total	22,443	100%

\* Annual totals include obligations for new grants and supplements to grants originally obligated in any fiscal year.

Table 7 (continued)

1981			1982			1983		
COUNTRY	Amount	% of Total	COUNTRY	Amount	% of Total	COUNTRY	Amount	% of Total
Colombia	2,630	12%	Chile	3,213	15%	Chile	1,826	10%
Chile	2,327	11%	Uruguay	2,189	10%	Columbia	1,654	9%
Dominican Rep.	1,669	8%	Mexico	1,934	9%	Bolivia	1,434	8%
Peru	1,622	7%	Colombia	1,901	9%	Dominican Rep.	1,345	8%
Paraguay	1,544	7%	Peru	1,735	8%	Peru	1,318	7%
Other Countries	12,019	55%	Other Countries	10,234	48%	Other Countries	10,086	57%
Total	21,811	100%	Total	21,206	100%	Total	17,663	100%
1984			1985			1986		
COUNTRY	Amount	% of Total	COUNTRY	Amount	% of Total	COUNTRY	Amount	% of Total
Colombia	3,443	19%	Colombia	2,169	10%	Brazil	1,979	11%
Bolivia	1,827	10%	Peru	2,126	9%	Colombia	1,666	9%
Chile	1,686	9%	Costa Rica	2,038	9%	Peru	1,613	9%
Argentina	1,347	8%	Bolivia	1,646	7%	Argentina	1,391	7%
Costa Rica	1,331	8%	Brazil	1,594	7%	Costa Rica	1,224	7%
Other Countries	8,049	46%	Other Countries	13,066	56%	Other Countries	10,944	58%
Total	17,663	100%	Total	22,659	100%	Total	18,817	100%
1987			1988			1989		
COUNTRY	Amount	% of Total	COUNTRY	Amount	% of Total	COUNTRY	Amount	% of Total
Argentina	2,420	12%	Brazil	2,167	11%	Argentina	1,782	8%
Brazil	1,941	10%	Argentina	1,680	8%	Mexico	1,720	8%
Haiti	1,697	9%	Guatemala	1,427	7%	Brazil	1,718	8%
Ecuador	1,269	6%	El Salvador	1,366	7%	Peru	1,631	7%
Guatemala	1,116	6%	Bolivia	1,241	6%	Colombia	1,353	7%
Other Countries	11,110	57%	Other Countries	12,386	61%	Other Countries	13,622	62%
Total	19,553	100%	Total	20,267	100%	Total	22,026	100%

Table 7 (continued)

1990			1991			1992		
Country	Amount	% of Total	Country	Amount	% of Total	Country	Amount	% of Total
Brazil	1,872	10%	Brazil	2,375	9%	Panama	2,225	10%
Mexico	1,484	8%	Mexico	2,170	8%	Nicaragua	2,179	10%
Colombia	1,311	7%	Ecuador	1,583	6%	Brazil	1,957	9%
Guatemala	1,116	6%	Honduras	1,533	6%	Mexico	1,849	8%
Argentina	1,186	6%	Chile	1,515	6%	Guatemala	1,755	8%
Other Countries	12,445	64%	Other Countries	17,757	66%	Other Countries	11,952	55%
Total	19,414	100%	Total	26,933	100%	Total	21,917	100%

1993			1994		
Country	Amount	% of Total	Country	Amount	% of Total
Brazil	2,273	9%	Brazil	2,302	9%
El Salvador	2,033	8%	El Salvador	1,953	8%
Mexico	2,010	8%	Mexico	1,929	8%
Panama	1,706	7%	Panama	1,563	6%
Nicaragua	1,528	6%	Colombia	1,421	6%
Other Countries	14,861	61%	Other Countries	15,571	64%
Total	24,431	100%	Total	24,739	101%

SECTION CGRANTEE COUNTERPART CONTRIBUTIONS TO  
INTER-AMERICAN FOUNDATION GRANTS  
1972-1994

The Foundation assists organizations whose members commit their own labor and financial resources to projects they design. Additionally, these organizations enhance project success by obtaining counterpart funds from their members as well as from local and international sources. For each grant dollar that the Foundation has provided for projects between 1972 and 1994, grantees have pledged an average of \$1.54.

TABLE 8

GRANTEE COUNTERPART CONTRIBUTIONS FOR 1972 - 1994  
(\$ in thousands)

Fiscal Year	IAF Funds*	Grantee Contributions	Total IAF & Grantee Funds	Grantee Funds as % of Total	Grantee Funds as % of IAF Total
1972	2,794	2,504	5,298	47%	90%
1973	2,998	4,263	7,261	59%	142%
1974	12,630	13,248	25,878	51%	105%
1975	13,571	18,787	32,358	58%	138%
1976	12,455	15,100	27,555	55%	121%
1977	14,993	18,458	33,451	55%	123%
1978	11,881	10,596	22,477	47%	89%
1979	16,949	14,431	31,380	46%	85%
1980	22,443	25,360	47,803	53%	113%
1981	21,811	27,949	49,760	56%	128%
1982	21,206	28,869	50,075	58%	136%
1983	17,663	21,826	39,489	55%	124%
1984	17,683	24,750	42,433	58%	140%
1985	22,659	35,256	57,915	61%	156%
1986	18,817	16,664	35,481	47%	89%
1987	19,553	37,400	56,953	66%	191%
1988	20,267	25,564	45,831	56%	126%
1989	22,026	26,883	48,909	55%	122%
1990	19,414	12,050	31,464	38%	62%
1991	26,933	37,125	64,058	58%	138%
1992	21,917	32,639	54,556	60%	149%
1993	24,429	37,163	61,592	60%	152%
1994	24,739	38,135	62,874	61%	154%
Total	409,831	525,020	934,851	56%	128%

\*Includes grants and grant supplements.

SECTION DPROGRAM AREAS OF INTER-AMERICAN FOUNDATION GRANTS  
1972-1994

Foundation activities have been principally directed to the following program areas:

- Agricultural and food production projects to improve the economic and social conditions of the rural poor;
- Education and training programs to train the unemployed for new jobs, to aid community leaders in carrying out their responsibilities, and to prepare peasants to take advantage of new technologies and marketing arrangements;
- Community services initiatives by poor communities to improve their access to such basic goods and services as housing, health, legal assistance, and food;
- Small enterprise development to promote various types of microand small businesses that can generate new sources of income and employment for the urban poor;
- Learning and dissemination projects that contribute to a broader understanding of grassroots development issues affecting poor and disadvantaged groups; and
- Cultural expression activities that promote development by contributing to enhanced creativity, community and group cohesion, and cultural identity among the poor and disadvantaged.

Table 9

IAF GRANT OBLIGATIONS BY PROGRAM AREA FOR 1972-1990\*  
(Percent of Fiscal Year's Grant Obligations)

Program Area	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	Total
Agricultural & Rural Development (Including Rural Small Enterprise)	57%	37%	32%	34%	33%	44%	49%	49%	49%	38%	48%	39%	40%	44%	49%	46%	50%	44%	43%	43%
Education & Training	11%	29%	29%	13%	16%	15%	11%	11%	15%	16%	22%	17%	24%	21%	16%	22%	23%	24%	26%	19%
Community Services	25%	19%	12%	11%	19%	14%	10%	14%	12%	23%	9%	16%	18%	14%	15%	15%	7%	11%	11%	14%
Urban Small Enterprises	6%	11%	9%	20%	21%	8%	14%	16%	12%	8%	8%	13%	7%	14%	16%	12%	13%	17%	14%	13%
Learning & Dissemination	0%	4%	12%	15%	6%	14%	16%	6%	8%	11%	13%	14%	9%	7%	3%	4%	5%	2%	5%	8%
Cultural Expression	0%	0%	5%	5%	5%	5%	1%	4%	3%	4%	1%	1%	2%	0%	1%	1%	2%	2%	1%	3%
<b>Total</b>	<b>100%</b>																			

\* Includes grants and grant supplements.

0% Denotes less than 1%.

Table 9 - A

IAF GRANT OBLIGATIONS BY PROGRAM AREA FOR 1991 - 1994\*  
(Percent of Fiscal Year's Grant Obligations)

<u>Program Area</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
Food Production & Agriculture	33%	43%	38%	36%
Small Enterprise Development	24%	18%	19%	19%
Education & Training	26%	19%	25%	24%
Learning & Dissemination	3%	4%	3%	5%
Community Services	7%	9%	4%	4%
Cultural Expression	2%	0%	0%	2%
Ecodevelopment	2%	2%	4%	3%
Other	3%	5%	7%	7%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

\* Includes grants and grant supplements.

0% Denotes than than 1%.

**SECTION E****INTER-AMERICAN FOUNDATION FELLOWSHIP PROGRAMS: 1974-1994**

The Foundation Fellowship Program celebrated its twenty-first anniversary in FY 1994. The Foundation offers the only fellowship program in the Western Hemisphere which is dedicated to increasing the community of specialists in grassroots development for the Latin American and Caribbean region.

The first IAF fellowship program was initiated in 1974 to support field research in Latin America and the Caribbean by doctoral candidates from U.S. universities, and awards approximately 15 fellowships per year. In 1978, the IAF created a second fellowship program to support field research for master's-level students in U.S. universities, and provides approximately 15 awards each year. In 1982, the Foundation started a third program which awards approximately 15 annual fellowships to development professionals from Latin America and the Caribbean for graduate study in the United States.

The fourth IAF fellowship program--the Dante B. Fascell Inter-American Fellowship--was initiated in 1991. Each year, this South-to-South program supports two to three distinguished Latin American or Caribbean leaders who have been instrumental in developing successful approaches to grassroots development to reflect upon and disseminate these approaches to wide audiences across the hemisphere.

Table 10  
 CUMULATIVE NUMBER of IAF FELLOWSHIP AWARDS for 1974-1994

Fiscal Year	Field Research		U. S. Graduate Study	Fascell Inter-American	Total
	Master's	Post-doctoral*			
1974	-	4	-	-	4
1975	-	6	-	-	6
1976	-	3	-	-	4
1977	-	13	-	-	14
1978	19	7	-	-	29
1979	16	16	-	-	33
1980	21	14	-	-	36
1981	19	17	-	-	37
1982	20	20	13	-	53
1983	18	19	14	-	51
1984	18	18	12	-	48
1985	17	15	13	-	45
1986	16	14	12	-	42
1987	12	17	14	-	43
1988	13	16	17	-	46
1989	17	12	15	-	44
1990	15	17	15	-	47
1991	11	11	13	3	38
1992	16	14	15	-	45
1993	17	15	17	-	49
1994	17	14	16	3	50
Total	282	282	186	6	764

\*No longer awarded

Table 11

CUMULATIVE NUMBER OF MASTERS, DOCTORAL, and POSTDOCTORAL IAF FELLOWS  
by COUNTRY of FIELD RESEARCH for 1974-1994 \*

Country	Field Research		Total	Percent of Total
	Master's	Post-doctoral**		
Mexico	39	4	94	16%
Peru	41	-	69	12%
Brazil	37	1	69	12%
Bolivia	14	-	43	8%
Colombia	25	-	37	7%
Chile	13	-	33	6%
Ecuador	13	1	30	6%
Costa Rica	16	-	28	5%
Guatemala	12	-	22	4%
Jamaica	3	2	18	4%
Argentina	5	-	17	4%
Honduras	8	-	14	3%
Nicaragua	8	-	14	3%
Dominican Republic	6	-	10	2%
Paraguay	6	-	9	2%
Haiti	4	-	8	2%
Venezuela	5	-	8	1%
Belize	2	-	6	1%
Panama	2	-	6	1%
Uruguay	2	-	5	1%
El Salvador	4	-	5	1%
Dominica	2	-	3	+
Grenada	2	-	3	+
St. Lucia	-	-	3	+
French Guiana	1	-	2	+
Suriname	1	-	2	+
U.S. (Puerto Rico)***	1	-	2	+
Others****	8	-	9	2%
<b>Total</b>	<b>282</b>	<b>8</b>	<b>572</b>	<b>100%</b>

+ Less than one percent.

\* Includes countries of field research for which the IAF provided support. A limited number of Fellows have conducted research projects involving more than one country, however the IAF provides support for each fellow in only one country.

\*\* No longer awarded.

\*\*\* The IAF no longer supports field research in Puerto Rico

\*\*\*\* Nine countries with one fellow each: Anguilla, Antigua, Barbados, British Virgin Islands, Guadeloupe, Monserrat, St. Kitts-Nevis, St. Vincent, Turks & Caicos

Table 12  
 CUMULATIVE NUMBER of IAF FELLOWSHIP AWARDS in the  
 U.S. GRADUATE STUDY PROGRAM and FASCELL INTER-AMERICAN PROGRAM  
 by the FELLOW'S COUNTRY OF RESIDENCE for 1982-1994

Countries of Residence	U.S. Graduate Study	Fascell Inter-American	Total	Percent of Total
Peru	35	1	36	19%
Chile	21	1	21	11%
Brazil	17	2	19	11%
Mexico	14	1	15	8%
Argentina	13	-	13	7%
Colombia	13	-	12	7%
Paraguay	8	-	8	4%
Bolivia	8	-	8	4%
Costa Rica	7	-	7	4%
Ecuador	5	-	5	3%
Nicaragua	5	-	5	3%
Dominican Republic	4	-	4	3%
El Salvador	4	-	4	3%
Jamaica	4	-	4	3%
Guatemala	3	-	3	2%
St. Vincent	3	-	3	2%
Trinidad	3	-	3	2%
Venezuela	3	-	3	1%
Dominica	2	-	2	1%
Guyana	2	-	2	1%
Panama	2	-	2	1%
St. Lucia	2	-	2	1%
Uruguay	2	-	2	1%
Honduras	2	-	2	1%
Barbados	1	1	2	1%
Haiti	1	-	1	+
Antigua	1	-	1	+
Belize	1	-	1	+
Total	186	6	192	100%

+ Less than one percent

Table 13

**CUMULATIVE NUMBER of IAF FELLOWSHIP AWARDS  
by the FELLOW'S UNIVERSITY AFFILIATION for 1974-1994\***

University	Field Research			U.S. Graduate		Percent of Total
	Master's	Doctoral	Post-doctoral **	Study	Total	
UC/Berkeley	31	33	-	12	76	10%
UCLA	29	23	1	2	55	7%
U/Florida	23	18	-	13	54	7%
Columbia	17	24	-	6	47	7%
U/Wisconsin	7	22	-	17	46	6%
U/Texas	25	10	-	3	38	5%
Cornell	13	15	1	7	36	5%
Johns Hopkins	15	6	-	7	28	4%
Stanford	11	12	-	2	25	3%
Yale	5	10	-	8	23	3%
Harvard	1	12	-	10	23	3%
M.I.T.	6	7	-	5	18	2%
Michigan State	8	5	1	-	14	2%
UC/Davis	10	3	-	1	14	2%
U/Pittsburgh	5	7	-	1	13	2%
U/Chicago	2	9	1	1	13	2%
Duke	4	2	-	5	11	2%
New School for Soc. Res.	1	2	-	8	11	1%
Boston	-	1	-	8	9	1%
U/New Mexico	5	2	-	1	8	1%
U/Illinois	2	1	-	5	8	1%
U/Massachusetts	1	3	-	4	8	1%
U/Minnesota	3	3	-	1	7	1%
U/Arizona	2	4	-	1	7	1%
American	2	2	-	2	6	1%
Indiana	1	4	-	1	6	1%
U/Michigan	2	1	-	3	6	1%
City Univ. of New York	2	2	-	2	6	1%
New York	2	1	-	2	5	1%
Notre Dame	-	4	-	1	5	1%
U/North Carolina	1	4	-	-	5	1%
SUNY/Binghamton	1	-	-	4	5	1%
Tulane	1	2	-	1	4	1%
UC/San Francisco	-	2	1	1	4	1%
George Washington	2	-	-	2	4	1%

\*Table continues on next page.

Table 13 (Continued)

University	Field Research			U.S. Graduate		Percent of Total
	Master's	Doctoral	Post-doctoral **	Study	Total	
U/Connecticut	-	2	-	2	4	1%
Clark	2	1	-	-	3	0.5%
Iowa State	2	-	-	1	3	0.5%
New Hampshire College	-	-	-	3	3	0.5%
Rutgers	-	1	1	1	3	0.5%
SUNY/Buffalo	-	2	-	1	3	0.5%
UC/San Diego	2	1	-	-	3	0.5%
U/Colorado	-	3	-	-	3	0.5%
U/Miami	1	-	-	2	3	0.5%
U/Pennsylvania	1	-	-	2	3	0.5%
U/Southern California	1	-	-	2	3	0.5%
U/Oregon-Eugene	1	-	-	1	3	0.5%
Arizona State	2	-	-	-	2	+
Fordham	-	-	-	2	2	+
Louisiana State	1	-	-	1	2	+
Penn State	2	-	-	-	2	+
San Diego State	1	-	-	1	2	+
SUNY/Albany	1	1	-	-	2	+
Tufts	2	-	-	-	2	+
U/Hawaii-Manoa	1	-	-	1	2	+
U/Iowa	1	1	-	-	2	+
U/Kentucky	1	1	-	-	2	+
U/Maryland	1	-	-	1	2	+
U/Missouri	-	-	-	2	2	+
U/Tennessee	2	-	-	-	2	+
North Carolina State	-	1	-	1	2	+
West Virginia	-	-	1	1	2	+
Others ***	17	12	1	13	39	5%
Total (100 Institutions)	282	282	8	186	758	100%

+ = Less than 0.5%

\* = Fellowships in the Fulbright Inter-American Program do not include associations with U.S. Universities.

\*\* = No longer awarded.

\*\*\* = Thirty-nine universities with one Fellow each: Boston College(USGS), Brandeis(Ph.D.), Bryn Mawr(Ph.D.), California State/Los Angeles(MA), Catholic University(MA), Case Western Reserve(Ph.D.), Colorado State University(MA), Denver(Ph.D.), East Carolina(MA), Emory(USGS), Gallaudet(USGS), Georgetown(MA), Georgia(Ph.D.), Kansas(MA), Mississippi State(USGS), Montana State(MA), Nebraska(Ph.D.), New Mexico State(MA), Northwestern(MA), North Florida University(USGS), Northwestern(MA), Ohio(USGS), Ohio State(Ph.D.), Oklahoma State(USGS), Oregon State(MA), Rensselaer Polytechnic Institute(MA), Rice(USGS), San Francisco State(MA), San Jose State(MA), School for International Training(USGS), Southeast Institute for Group and Family Therapy(USGS), Southern Methodist(Ph.D.), SUNY/Stony Brook(Ph.D.), Temple(USGS), U/Alabama(MA), UC/Santa Barbara(Ph.D.), UC/Santa Cruz(MA), U/South Florida(MA), Valdosta State University(USGS), Vanderbilt(Ph.D.), Virginia(Ph.D.), and Washington University(Ph.D.)

Table 14

CUMULATIVE NUMBER of IAF FELLOWSHIP AWARDS  
by the FELLOW'S ACADEMIC DEPARTMENT for 1974-1994\*

Department	Master's	Field Research		U.S. Graduate Study	Total	Percent of Total
		Doctoral	Post-doctoral**			
Anthropology	64	109	3	23	198	26%
Economics and Agricultural Economics	14	30	2	37	83	12%
Political Science	22	31	-	13	66	9%
Latin American Studies	53	-	-	3	56	7%
Sociology	13	22	1	18	54	7%
Public Health	21	11	-	20	52	7%
Geography	14	12	-	-	27	3%
History	2	16	1	4	23	3%
Education	4	9	-	7	20	3%
Linguistics	1	2	-	5	8	1%
Urban Planning/Design	3	2	-	3	8	1%
Other***	71	38	1	53	163	22%
<b>Total</b>	<b>282</b>	<b>282</b>	<b>8</b>	<b>186</b>	<b>758</b>	<b>100%</b>

\* Fellowships in the Fawcett Inter-American Program do not include associations with academic departments

\*\* No longer awarded

\*\*\* Nineteen topics in "Other" Category with less than 1% each: Biology, Business, City Planning, Civil Engineering, Communications, Development Studies, Economic Development, Environmental Law, Environmental Studies, Health and Safety Studies, International Affairs, Interpersonal/Agricultural Development, Journalism, Jurisprudence and Social Policy, Music, Psychology, Regional Planning Sciences, Resource Development, Sustainable Development

Table 15

## CUMULATIVE NUMBER of IAF FELLOWS by PROGRAM AREA for 1974-1994

Development Areas**	Field Research		U.S. Graduate Study	Fascell Inter-American	Total	Percent of Total
	Masters	Post-doctoral*				
Agricultural and Rural Development (Including Rural Small Enterprise)	132	4	51	3	330	43%
Community Services	55	3	58	3	163	21%
Development Policy (including Learning and Dissemination)	29	-	45	-	122	16%
Education and Training	22	-	13	-	51	7%
Urban Small Enterprise	21	1	4	-	52	7%
Cultural Expression	23	-	15	-	47	6%
<b>Total</b>	<b>282</b>	<b>8</b>	<b>186</b>	<b>6</b>	<b>764</b>	<b>100%</b>

\* No longer awarded

\*\* "Development Areas" of awards are based on the subject of research (Field Research Programs), career field of specialization (U.S. Graduate Study Program) or subject of dissemination (Fascell Inter-American Program).

Table 15a  
 NUMBER OF IAF FELLOWSHIP AWARDS by PROGRAM AREA for 1991-1994

Development Area *	1991 Percent of Total	1992 Percent of Total	1993 Percent of Total	1994 Percent of Total
Food Production & Agriculture	13%	34%	24%	22%
Small Enterprise Development	5%	5%	7%	8%
Education & Training	0%	11%	4%	2%
Learning & Dissemination	-	-	-	-
Community Services	21%	15%	24%	40%
Cultural Expression	3%	9%	17%	6%
Ecodevelopment	29%	13%	24%	12%
Other	29%	13%	-	10%

\* "Development Area" of awards is based on the subject of research (Field Research Programs), career field of specialization (U.S. Graduate Study Program) or subject of dissemination (Fascell Inter-American Program)

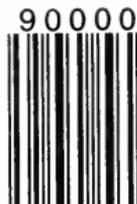


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