

# FRONT LINES



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U.S. Agency for International Development Employee News

**“It was [Marshall’s] ideas that permeated and set up the predecessors of what is today USAID and all of the contributions it has made to improving world well-being in different parts of the world.”**

Dr. Norman E. Borlaug  
Nobel Peace Laureate, delivering first USAID George C. Marshall Lecture, Washington, D.C., May 20, 2004.

▼ SEE BORLAUG ON PAGE 2

## Haiti Seeks Aid

Haiti’s Interim Prime Minister Gerard Latortue, who visited USAID headquarters in Washington May 6 seeking help to turn on electric power and clean the streets of Port-au-Prince, returned home to face devastating floods three weeks later.

As many as 2,000 were feared dead in Haiti and the Dominican Republic by May 28, after heavy rains on deforested hillsides unleashed mud slides.

▼ SEE HAITI ON PAGE 10

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## President Bush Names 16 MCA Aid Countries

President Bush announced May 10 that the first 16 countries eligible for Millennium Challenge Account (MCA) aid are: Armenia, Benin, Bolivia, Cape Verde, Georgia, Ghana, Honduras, Lesotho, Madagascar, Mali, Mongolia, Mozambique, Nicaragua, Senegal, Sri Lanka, and Vanuatu.

“The Millennium Challenge Account encourages all nations to embrace political and economic reform,” Bush said at the White House.

“The United States has pledged to increase its core development assistance by half, adding \$5 billion annually by 2006. To be eligible for this new money, nations must root out corruption, respect human rights, and adhere to the rule of law.

“They must invest in their people by improving their healthcare systems and their schools...opening up their markets,

removing barriers to entrepreneurship, and reducing excessive bureaucracy and regulation. The 16 nations represented here today have done all this and more.”

Congress appropriated \$1 billion this year for the account and Bush asked for \$2.5 billion for the next fiscal year.

Administrator Andrew S. Natsios told a House Appropriations panel May 13, “In general, we do not see USAID missions closing in MCA countries.”

“Many of the problems we work on, like democracy and governance, agriculture, health, environment, and HIV/AIDS, are long-term problems. It does not make sense to turn such assistance on and off. The MCC [Millennium Challenge Corporation] has to be free to adjust its funding up or down based on partner country performance...but our assistance will be longer-term.”

▼ SEE MCA ON PAGE 10

### REACHING FOR BETTER CORN

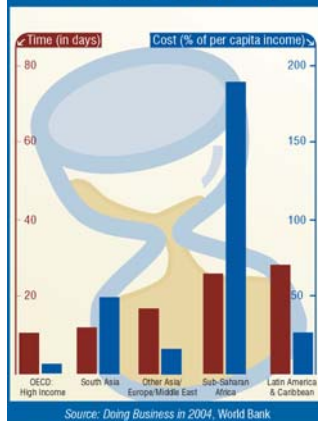


Ben Barber, USAID

A workman adjusts irrigation on a patch of experimental corn growing in a greenhouse at the international research center for corn and wheat—CIMMYT—in Texcoco, an hour’s drive from Mexico City.

▼ SEE PAGES 6 AND 7

### Time and Cost for Setting Up A New Business, by Region



## Sudan’s Darfur Crisis Deepens

Sudan’s government allowed USAID relief workers in late May to enter the Darfur region where 1 million people have been displaced by violence. Many are so weakened they could die in June rains.

“When people have been displaced for at least six months it takes a toll on a person. When people are weakened and have no shelter, no sanitation in the rain, that’s when you get the body count,” said Roger Winter, Assistant Administrator for Democracy, Conflict, and Humanitarian Assistance, at a June 1 press conference.

▼ SEE SUDAN ON PAGE 10

## Herbal Medicine Fights Malaria

A growing number of African countries where drug-resistant malaria is spreading are turning to artemisinin, an extract from sweet wormwood that has been used as herbal medicine in China for more than 1,000 years.

An estimated 30 million malaria cases will be treated in 2004 with artemisinin-combination therapy or ACT, and demand is expected to rise to 180 million by 2006, according to the Global Fund for AIDS, Tuberculosis and Malaria, which has provided some poor countries with the drug.

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**Nigeria Allows Polio Vaccines**

**ABUJA, Nigeria**—The Islamic government of Kano state has dropped its objections to the use of polio vaccine and will allow vaccinations to begin, the *New York Times* reported May 27.

Polio has already spread from Kano state to nine other countries: Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Ghana, Ivory Coast, Togo, and Botswana. The World Health Organization plans to immunize all children in Nigeria to contain the outbreak.

Kano leaders had said the polio vaccine might make girls infertile but then agreed to use vaccine made in Indonesia.

**U.N. Says GM Crops Aid Poor**

**ROME**—Genetically modified (GM) crops help poor farmers and have posed no negative health or environmental effects so far, the U.N. Food and Agriculture Organization (FAO) said in a report May 18.

The FAO said the biggest problem with GM technology is that it has not spread fast enough to small farmers and has focused on

crops mostly of use to big commercial interests. Transgenic technology has great potential for increasing crop yields, reducing costs to customers and improving the nutritional value of foods, the FAO said.

“FAO believes that biotechnology, including genetic engineering, can benefit the poor, but that the gains are not guaranteed,” said Hartwig de Haen, assistant director general of the FAO’s economic and social department.

**Nonprofit to Fight Diseases**

**SAN FRANCISCO**—The Biotechnology Industry Organization, after receiving \$1 million from the Gates Foundation and \$100,000 from the Rockefeller Foundation, said it was launching a nonprofit institute to fight disease in the developing world. The institute, called BIO Ventures for Global Health, plans to work with biotechnology companies to deliver vaccines and medicines to poor countries. The new institute announced June 8 it aims to arrange deals with biotechnology companies and charities to develop and deliver drugs for unprofitable markets in the developing world.

**USAID: \$2.5 Million to Nutrition Program**

**WASHINGTON**—USAID is contributing \$2.5 million to the Global Alliance for Improved Nutrition (GAIN), established to improve the nutritional status of at least 600 million people in up to 40 developing countries. The announcement comes on the heels of a \$10.7 million grant award from GAIN’s international alliance to support vitamin and mineral country programs over the next three years in Bolivia, the Dominican Republic, Mali, Pakistan, and Uzbekistan. USAID funding will help support grants to bolster country food programs.

**Volunteer Program Commemorated**

**WASHINGTON**—USAID commemorated the 50th anniversary of the Volunteer Programs in Economic Growth and Agricultural Development (VEGA) May 18. VEGA members have assisted in the implementation of over \$770 million of USAID-funded technical assistance projects over the past 40 years. VEGA’s member organizations have deployed volunteers to more than 50,000 overseas assignments in

148 countries, serving in every USAID mission. Earlier this year, USAID granted VEGA \$2.5 million, which will help volunteers work directly with USAID missions to design, develop, and rapidly implement technical assistance projects to address the host countries’ programs.

**Arab Press Briefed on U.S. Aid**

**WASHINGTON**—About 30 Arab and Arab-American journalists and activists had a full day of briefings provided by senior U.S. diplomatic and aid officials at the State Department and USAID headquarters May 7.

Speakers discussed efforts to promote democracy in Iraq and other countries through aid programs. Administrator Natsios said USAID was opening missions in Yemen, Pakistan, Iraq, and other Middle Eastern countries as part of increasing U.S. aid to the region.

Some participants said U.S. information needs to go beyond the traditional elites and target the “street,” where extremists have been able to recruit followers.

## Borlaug Cites Africa’s Need in First USAID George C. Marshall Lecture

Norman E. Borlaug, the agricultural scientist who won the 1970 Nobel Peace Prize for creating miracle or high-yielding wheat, delivered the first USAID George C. Marshall Distinguished Lecture on International Development May 20 at the National Press Club in Washington, D.C.

Borlaug spoke of his early efforts crossing plants to improve yields in the 1940s, working with the Rockefeller Foundation and training scientists at CIMMYT, the wheat and corn research station outside Mexico City where he has lived the past 60 years. At 90, he still travels the world seeking to improve production of wheat, corn, cassava, and other staple crops.

Borlaug’s wheat is said to have saved up to 1 billion people.

“I worked in East Pakistan as well as the Pakistan of today and, later, Bangladesh and India,” he said of his work in the 1960s. “There were huge food deficits. Had it not been for PL 480 and similar assistance from Canada and Australia, the death toll would have been enormous.”

The Green Revolution—so named by USAID Administrator William S. Gaud March 8, 1968— took Borlaug’s dwarf wheat varieties and doubled or tripled yields across Asia.

“There is no magic in the variety alone,” he explained. “If you restore soil fertility, you have to control the weeds and plant at

the right time. All of this crop management is part of the package.

“When you show differences, as was done in that time, from less than a ton per hectare of wheat to four or five—and when large numbers see this—they are not conservative if the policies permit them to adopt these.”

Borlaug endorsed new biotech food varieties that can grow in harsh conditions and resist insects. But he said that much more food could be produced with current technologies.

Much of Africa still fails to use enough fertilizer to get the maximum from fields. He called for “credit for the little farmer to buy that fertilizer before planting and to pay

for it at harvest and to get the ceiling off the price control.”

New seeds and techniques may permit food production on acidic soils in Brazil and parts of Africa, he said, and zero tillage—farming without turning the soil each year—could save 30 percent of irrigation water worldwide.

Borlaug said he dreams of taking the resistance to rust—a plant disease—from rice and adding it to wheat. And he wants to take the ability to store protein from wheat and place it in rice.

“We still have to dream,” he said. “If we can move those genes, it won’t happen in my lifetime. It will happen in the next generation.” ★

## Colombian Activists Request Protection

Since 35 of them were assassinated over the last five years, women peace activists from Colombia have called on USAID to continue and expand its human rights protection program to include them. They also asked that the Agency consult them when designing and evaluating its programs.

More than a dozen women peace and human rights activists came to Washington, D.C., on a visit organized by the U.S. organization Women Waging Peace. The delegation included women from rural areas, academics, state officials, and a parliamentarian. It made its recommendations May 13 at a meeting with the Agency’s Office of Women in Development.

The group spoke about its efforts to end the decades-old civil war, in which leftist guerrillas, right-wing paramilitary, and drug traffickers affiliated with both sides have been fighting with central government forces and each other for control of territory in the vast Latin American country.

Women’s organizations have negotiated

for food and medicine to be delivered to villages cut off by illegal armed groups. They organized more than 40,000 demonstrators in 2002 to push for renewed peace talks, and met locally, regionally, and nationally to agree on an agenda they want addressed in the next round of peace negotiations.

Ana Bernal, who organized a nonbinding referendum for peace in 1997 that garnered 10 million votes, said women did not want to be depicted as victims but as actors pushing for a peaceful society. She said that “civil society is a buffer to the war,” and asked for USAID support.

Other activists spoke about the country’s large number of internally displaced people. Crimes against the internally displaced often go unpunished, including growing sexual violence against women, said Claudia Mejia, a founding member of the National Network of Women. A large number of children are displaced, out of school, and vulnerable to prostitution and trafficking, said a third activist. ★



Boys from border regions of Tajikistan, Kyrgyzstan, Uzbekistan, and Kazakhstan played soccer May 11 with an Arlington, Va., team on a USAID-sponsored trip to the United States.

Sports tournaments, health education, and cultural exchanges are organized by the Central Asia Mission’s Sports and Health Education program to bring communities divided by borders together in multiethnic Central Asia.

Abt Associates

FIRST PERSON



Tatiana Dudka, BIZPRO Ukraine

“My first call to Chisinau Hotline was when I was writing a business plan to start a newspaper business. The hotline advised me on the organizational and legal form of a future enterprise, which helped me save 200,000 lei (about \$16,500)... I became a permanent user of the hotline service... I get great advice on accounting and tax optimization. Now I run a successful business and employ 14 people.”

IURIU GUMENIUK  
ENTREPRENEUR AND CHIEF EDITOR OF WORK AND EDUCATION  
CHISINAU, MOLDOVA

The USAID-funded BIZPRO project created a telephone information service in each region of Moldova to help entrepreneurs access up-to-date information on local and regional government decisions, national policy issues, and legislative information that impact their business. Seven entrepreneur hotlines were established. In only one year, they helped register 198 new businesses.

# Mission of the Month

PANAMA

The Challenge

Panama's Darien Province bordering Colombia is the country's biggest. But its largely rural 60,000 residents are dispersed throughout miles of rugged mountain terrain and the Caribbean and Pacific coasts.

Recently, Darien has become home to more than a thousand Colombians displaced by their country's civil strife. Guerilla fighters lurk around the region, and there is a growing fear of increased production of coca.

Roads in the region are deteriorated, potable water is increasingly difficult to find, and deforestation is threatening Darien because it is home to a large national park. These problems are fueling land conflicts and other tensions among the three ethnic groups that inhabit Darien.

Innovative USAID Response

In January 2003, the mission began working to address the spillover from the Colombian conflict in Darien and neighboring regions through programs that try to improve governance, strengthen community institutions, establish small-scale social and productive infrastructure, and create jobs.

At its start, the program funded studies to assess community priorities and identify prime sources of conflict.

Priorities included the improvement of access to potable water and sanitation and basic public services such as schools, roads, and medical posts. Job creation, market access, and environmental conservation were also identified as immediate needs. USAID is funding projects in all of these areas.

The Agency is also providing grants to local private sector and civil society organizations to provide increased productivity, income, and employment opportunities. This year, the mission is funding projects involving jewelry making, crafts, women-led microenterprises, and cocoa and tuber production.

Environmental degradation and the unsustainable use of natural resources were identified as prime sources of conflict, so USAID/Panama awarded several grants for environmental projects.

The mission is also helping construct several community tree nurseries and training local residents to monitor the forest. Studies on the effects of legal and illegal logging are being undertaken, and the mission now encourages more intensive, rather than extensive, farming. These studies, which are a part of an education program promoting sustainable management of the environment, will guide future projects.



Local men deliver drinking water during the dry season, when the region does not have enough clean water.

Results

“You have outside forces controlling the destiny of this province; it's a weak province. Political systems aren't really in place, and there is hardly any central government presence in the region,” said Robert Kahn of the Central America and Mexico Office, who was one of the early designers of the program.

“The idea is to give people, through small projects, some more organizational skills and a little bit more social and productive infrastructure projects that will help them generate incomes...to represent themselves and be stronger.”

Since last year, USAID has helped complete 31 community projects. Some have improved farm-to-market roads and small piers in Darien. Others have focused on schools, rural roads, water and sanitation systems, and agricultural technologies in a region where these had been abandoned or lacking.

The program is expected to benefit over 10,000 people.

The mission also helped local communities make agricultural improvements. Three nurseries are under construction and will have technology to improve large-scale production of native species, marketable timber, fruit trees, and vegetables.

“USAID, along with Panamanian and U.S. partners, is working to strengthen communities in the Darien Province so that they are better prepared to handle problems from the spillover effect in Colombia,” said Mission Director Leopoldo Garza. ★

www.usaid.gov Keyword: Panama

## Notes from Natsios

★★★★★★★



### UPROOTING MICROECONOMIC BARRIERS

We must take a new look at the problem of economic growth in poor countries.

The developing world has made considerable progress over the last 50 years, especially in Asia. However, many African, Latin American, and Middle East countries have stagnated.

I believe that helping low-growth countries break through the barriers to economic development and poverty reduction is the next challenge in development.

Many countries of Africa, Latin America, and the Middle East have made “macroeconomic” reforms: they cut budget deficits, inflation, and trade imbalances. Some privatized state-owned enterprises. But these changes did not produce growth or cut poverty.

The World Bank's report *Doing Business in 2004* focuses on five basic indicators that affect small and medium-sized businesses, such as days to start a business, difficulty of enforcing a contract, and labor restrictions. In most of Latin America and Africa, registering a new business is slow and expensive. Contract enforcement in the courts is difficult. Restrictions on hiring and firing discriminate against women and young people.

In addition, business development suffers from bad policies, ineffective institutions, banks that don't lend without full collateral, customs delays, etc.

These practices—the “microeconomic” business environment—are the principal reason for lack of growth. The market-oriented reforms of past years have not been deep enough to improve business conditions.

Governments must stop seeing the private sector as a force to be tightly controlled and regulated by the state. They have to start seeing the private sector as the source of job creation and growth. That does not mean subsidies for businesses.

Small farmers too are sabotaged by governments that subsidize urban consumers and industries and by lack of credit, bad roads, and poor rural infrastructure.

We have to find ways to break through these obstacles. A supplement inside this issue of *FrontLines* focuses on ways to improve the microeconomic climate around the world. However, microeconomic reform has to be led by domestic reformers. Foreign aid has to be highly selective, targeting those willing to help themselves. Such aid has to be performance-based.

We also have to get over any remaining hesitancy to assist business development and support improvements in business conditions, including regulatory reforms, strengthening commercial courts, improving infrastructure, and strengthening private banks and financial intermediaries.

And finally, we should give special emphasis to agriculture and the informal sector, which may have a harder time finding footholds to advance. We should pay special attention to helping these people register their property, gain access to credit, and improve their skills. ★

## ECONOMIC GROWTH, AGRICULTURE, AND TRADE

## Research Centers Fight Famine and Disease



A farmer inspects sorghum crop in Burkina Faso.

ICRIAT

When crops are threatened around the world by destructive diseases, new weeds, voracious bugs, or other problems, calls for assistance go out to thousands of researchers, scientists, and farmers in two umbrella groups funded by USAID.

Aflatoxins, for instance, can contaminate inadequately stored and managed foods and account for losses of about \$800 million in the United States and cause even larger losses to the economies and people of developing countries, which depend heavily on farming.

To cope with food production problems, USAID funds two major research efforts: the U.S.-based Collaborative Research Support Programs (CRSP) and the worldwide network of research centers sponsored by the Consultative Group on International Agricultural Research (CGIAR).

Aflatoxins were researched by both organizations, and recently, the Peanut CRSP found that the impact of the fungus on human and animal health can be reduced by adding small amounts of aflatoxin-binding clay (ABC) to animal feed and human food products. ABC, now sold under the trademarked name Novasil, can be found in 10 percent of animal feed worldwide.

The nine CRSPs are based in U.S. land-grant universities. The aim of the CRSP programs, first established in the 1970s, is to improve farming technologies and train U.S. and foreign specialists in crops, livestock, and aquaculture.

For example, researchers at the International Sorghum and Millet CRSP, based at the University of Nebraska-Lincoln, have developed varieties that resist infection by the parasitic weed *Striga*, which causes large losses in many areas of Africa. Up to four-fold yield increases are possible when *Striga*-resistant sorghum is combined with irrigation, fertilizer, and hillside terracing.

The Bureau for Economic Growth, Agriculture, and Trade (EGAT) provided

about \$22.5 million to the CRSPs in FY 2002, while CGIAR centers received about \$27 million, not including direct mission funding of special projects at the individual centers. EGAT dedicated 80 percent of its 2002 agriculture budget—about \$50 million—to the two groups.

CRSP and CGIAR programs “are both focused on food and agriculture...so these are both ways of addressing food insecurity, eliminating hunger, and making agriculture more sustainable and friendly to the environment,” said Marc Cohen of the International Food Policy Research Institute, CGIAR’s Washington-based thinktank.

Created by the World Bank in 1971, CGIAR today comprises 15 centers that work in 100 countries. Some 60 members provide funding for programs that reflect priorities and strategies recommended by the CGIAR Science Council.

CGIAR programs work in the developing world to improve natural resource management and major food crops—such as rice, wheat, cassava, bananas, and beans and other legumes—as well as livestock, forestry, and fisheries.

Crop varieties developed from CGIAR programs are grown on hundreds of millions of hectares across the world, increasing crop yields and incomes while making food more abundant and more affordable to the poor. The programs help farmers diversify production, benefit from higher productivity and quality, and gain access to new markets.

Environmentally friendly approaches are emphasized. For instance, the Nigeria-based International Institute for Tropical Agriculture developed biocontrol of cassava pests that has provided billions of dollars in benefits to African farmers.

Another CGIAR is the Mexico-based International Maize and Wheat Improvement Center (CIMMYT), which is profiled on page 7.★

<http://crsps.org/> and <http://www.cgiar.org/>

## GLOBAL DEVELOPMENT ALLIANCE

## Textile Factories Improve Labor Standards

**GUATEMALA CITY**—Last month, the retail apparel company Gap Inc. revealed that four of its seven factories in Guatemala were in violation of core issues listed in Gap’s Code of Vendor Conduct. If factory owners and managers did not work with the company to achieve compliance, they were liable to be dropped from Gap’s supply chain and thousands of jobs would be at risk.

A \$530,000 grant from the Global Development Alliance (GDA) is addressing these issues directly by improving workplace conditions in factories that supply apparel to companies such as Gap and Timberland. The program works with local organizations to leverage twice as much in funding.

In June, managers and workers at the factories will be trained to identify and resolve workplace issues such as forced overtime, child labor, freedom of association, collective bargaining, and maternity leave. The goal is to gain compliance with national legislation, increase worker morale and productivity, and prepare the industry for international competition.

In January 2005 international multi-fiber agreements protecting Guatemala’s textile industry will expire, placing the country in competition with lower-cost producers such as China.

Labor standards are also required by the Central American Free Trade Agreement (CAFTA), which Guatemala recently joined.

“If we don’t get CAFTA done in time and the multi-fiber agreement expires, the textile industry is highly vulnerable,” said Loren Stoddard, program officer at USAID/Guatemala. Upgrading labor standards is vital to keeping the industry on track, he added.

Six of the dozen factories where the

program operates are run by Gap, and another six to nine are expected to join the program as it expands. VESTEX, Guatemala’s textile industry association, worked with the alliance to identify factories to partner with.

The GDA-funded training helps communication between factory workers and managers. Workplace issues are reported anonymously and then considered by groups. Often, after discussion, the issues raised result in policy changes. Followup actions monitor progress, and, in cases where issues cannot be resolved through open discussion, they can be submitted for arbitration to USAID-funded dispute resolution centers.

The training prepares factories for corporate codes of conduct and certification schemes, said Stoddard.

The program is effective because every level of the textile industry supply chain is participating, added Alice Tepper Marlin, president of Social Accountability International, an international workplace standards-setting organization.

In the case of Gap, the strategy helped identify areas in which Gap factories required improvement. Due to a confidentiality agreement in exchange for factory access and monitoring, Gap did not identify specific factories and violations. But the Commission for the Verification of Codes of Conduct, a local GDA partner that worked on compiling the report, will use the findings to develop training material specifically for the cited factories.

The program is implemented by Development Alternatives, Inc. Additional partners include the International Textile, Garment and Leather Workers’ Federation. ★



Most of Guatemala’s textile workers are women living at the edge of poverty. The GDA-funded training addresses the roles and responsibilities of both workers and managers to improve workplace conditions.

DEMOCRACY, CONFLICT, AND HUMANITARIAN ASSISTANCE

# Cheney Speaks at American Studies Center in Shanghai



ASHA-funded construction at Fudan University in Shanghai.

Center for American Studies

**SHANGHAI**—When Vice President Cheney recently visited China, he hailed its progress in reducing poverty and increasing trade in a speech he delivered at a USAID-funded Center for American Studies in Shanghai.

“Chinese citizens are now freer to make their own way in life—to choose careers, to acquire property, and to travel,” said Cheney April 15, at the Center for American Studies at Fudan University, which has received more than \$8 million in funding from USAID over the past 17 years.

“And across this land are many millions of young people just like you, with their own abilities and their own expectations of a better life for themselves, their families, and their country.”

China’s development has been aided by dialogue promoted at Fudan.

USAID’s American Schools and Hospitals Abroad (ASHA) program helped build the Fudan campus and is now supporting the building of an auditorium and a conference center, which are scheduled to open in summer 2004.

Named as “the key research institute” in American studies by the Ministry of Education in Beijing, the center is often consulted by top leaders seeking to understand American attitudes and actions.

The seed for the center was planted in 1984, when President Ronald Reagan visited Fudan and said he hoped his visit would be remembered as the day when “America and China accepted the challenge to strengthen the ties that bind us, to strive for a more just and secure peace in the world.”

The challenge was accepted by Madame Xie Xide, then university president. A year after President Reagan’s visit, Xide created the Center for American Studies, and two years later ASHA gave it its first grant.

The center engages in research and teaching on U.S. economic, political, and cultural institutions. It has become a leading authority in Asia on U.S. foreign policy and on arms control and nuclear nonproliferation issues. Many of the center’s students have gone on to hold important positions in the government.

But the value of the center has not always been recognized by the Chinese government. Tom Scanlon, who has served as executive director of the Fudan Foundation since 1988, recalls breaking ground on the center’s building in August 1989.

“It was only two months after Tiananmen,” he said. “Everything had to be done on a very low key.... But throughout this and other times of strained relations, neither we nor our ASHA supporters lost sight of our goal—of how important it is that the Chinese people, and especially their leaders, understand what America is all about.”

The ASHA program works to strengthen overseas schools, libraries, and medical centers that demonstrate U.S. ideas and practices. Its grants are awarded for building or renovation of facilities; or scientific, medical, and educational equipment. Since its inception, ASHA has helped 198 libraries, schools, and medical centers in more than 60 countries worldwide. ★

GLOBAL HEALTH

# Study Shows Treating Workers for AIDS Cuts Business Costs

Employers in countries with high HIV/AIDS rates could avoid the rising cost of worker sickness if the companies invested more in HIV/AIDS prevention and treatment, a new USAID-funded study found.

Treating HIV/AIDS with highly active antiretroviral therapy involves taking a combination of three drugs daily, with close monitoring by a medical professional. It costs companies approximately \$500 annually per worker but could reduce a company’s direct and indirect losses from HIV/AIDS by as much as 40 percent.

On average, companies spend \$10–15 per employee annually on awareness programs, which include posters and free condoms but not testing or counseling.

“USAID wanted to work with the private sector to convince them that there was a problem that would affect their businesses—that they had to become more proactive in dealing with the HIV/AIDS pandemic,” said Neal Cohen, economist at USAID/South Africa, the mission that funded the study.

About 10–30 percent of employees in South Africa and neighboring countries are HIV-infected. In the absence of treatment, most of them will die within a decade. Meanwhile, healthcare costs are rising, and employers are often asked to provide benefits to widows and orphans.

The annual cost for each HIV-infected employee is as high as 3.5 times the workplace median salary. The associated

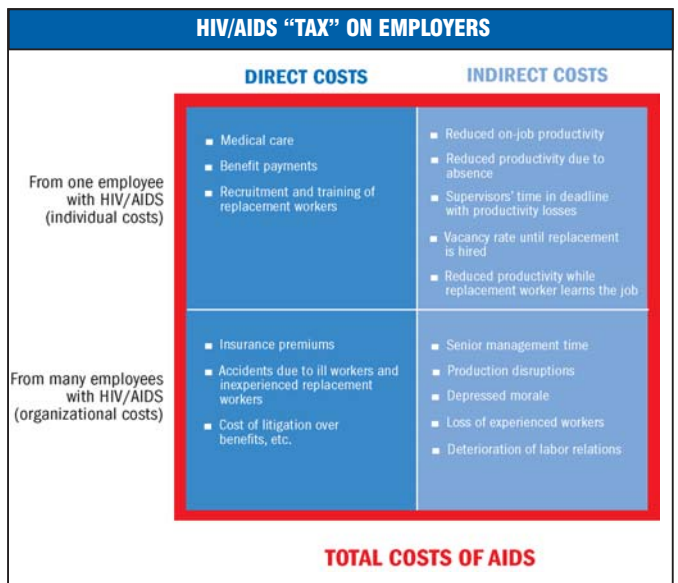
cost to business—the so-called HIV/AIDS tax—is as high as 6 percent of the annual wage bill or \$11.9 million, found Boston University School of Public Health researchers, who conducted the study between 1999 and 2002.

“Because they worked closely with businesses, used only the data provided by business, and spoke the language of business, the results were highly credible and resulted in the companies beginning to take action,” Cohen said.

More and more companies are enrolling in health plans that cover antiretroviral treatment. Also, these plans offer healthcare to companies based on the overall size of their workforce, regardless of the job level of individual employees. This way coverage is extended to all employees, not just skilled workers.

Aside from direct care and insurance costs, vacancies have to be filled more frequently and replacement workers trained. In Zambia and Democratic Republic of Congo, for instance, factory managers train each new hire in two or more tasks and hire two or more workers for each available position.

Another indirect cost of the epidemic on business is that productivity is reduced and employees miss work more often, which translates into added work for management. Staff morale is also low, and labor relations deteriorate as worker and employer negotiate healthcare benefits. ★



Harvard Business Review, February 2001

An article on USAID-funded research on the cost of AIDS published by Harvard Business Review won the McKinsey Award for Excellence in Management Thinking. The award recognizes Harvard Review articles most likely to have a major influence on executives worldwide.

# \$35 Million in U.S.-Mexican Cooperation Focused on Partnerships, Good Government

**MEXICO CITY**—As Mexico's economy has grown in recent years, through oil production and industrial growth spurred in part by the North American Free Trade Agreement, U.S. foreign aid programs are still important but nontraditional. USAID's program is lower profile and highly cooperative in nature, targeted at key issues and concerns shared by both the United States and Mexico.

"The sorts of things USAID does transmit

the values of good governance and environmental stewardship," said U.S. Ambassador Tony Garza, who recently was seen by an estimated 40 million Mexicans on television touring a USAID microcredit project.

"In a country as large as Mexico, we could do much more. I'd do more of what we're doing in governance—the limitation might be what they want us to do."

USAID helps Mexican families get remittances from relatives working in the United

States, supports agricultural research on wheat and corn, helps cities and states issue municipal bonds to finance roads, protects the environment, supports Mexican reform initiatives to the justice system and the accountability of government, and provides other aid.

The small mission staff of 10 U.S. and 17 Mexican employees is based at the U.S. Embassy in downtown Mexico City. They are managing \$35 million in pro-

grams this year.

Mexicans are proud of their independence and sometimes have been reluctant to take U.S. aid and advice. So U.S. aid programs have been low key, although they assist people in many regions of the country and at many levels. A few USAID programs are described on this and the facing page, based on a visit to Mexico in April by *FrontLines* Editorial Director Ben Barber. ★

## Mexico City Ecopark Project Taught Farmers to Preserve Forest for Students, Elderly, Bikers

**SAN NICOLAS TOTOLAPÁN, Mexico**—As one climbs the ridge and emerges from the haze blanketing Mexico City, the houses abruptly end and green forests take over, protected by a well-kept ecological park established with U.S. support.

Mountain bike riders with shiny plastic helmets roll down steep paths, while elderly Mexican visitors stroll in the tree nursery at the San Nicolas Totolapán park.

A dozen buses pull into the parking lot and hundreds of noisy junior high school children dressed in blue and white follow their teachers across the meadows and into the forest.

"It was one of our dreams—the dream was tourism and to establish again the forest," said Ambrosio Tenorio Chavero, 69. He stood beside a platform covered with pinecones crackling as they ripened and dropped their seeds in the hot sunshine.

"We wanted again to see the original

species and density of the forest," said Chavero, who is blind. "We still don't have the original density but have seen a great improvement. Pollution and the frontier of urban sprawl have stopped."

Twenty years ago the area was threatened by the expanding Mexico City metropolitan area, which today numbers about 20 million people, third largest in the world after Tokyo and New York. Builders and squatters approached the forest. The land owners at San Nicolas Totolapán—336 members of a traditional cooperative group or *ejido*—felt their way of life was going to vanish.

For generations their families had run small farms and logging businesses atop the mountain ridge southwest of the Mexico City plateau stretching out far below.

They got advice from the Mexican Nature Conservation Fund, known by its Spanish acronym FMCN, created in 1994 with \$20 million donated by USAID and \$10 million

from the Mexican government. The fund supported and advised the members of the *ejido* when they decided to turn their mountainous area into a viable ecological park for tourism.

After a tough debate, "those against the park who worried they would lose control of the land calmed down and they saw that it works," said *ejido* member Miguel Angel Lopez, 34.

Since 1998, the 2,300 hectare park has been open all year, attracting thousands of visitors and providing jobs for 35 *ejido* members. School children and the elderly get free or reduced entry fees, but the general public pays \$1.50 per car, \$2 per bike, \$1 per hiker, and \$5 per hour to rent a mountain bike.

Pedro Rivera Flores, 35, is one of the farmers who became a park manager. Wearing a neat green uniform, he shows a visitor the forested mountainside honeycombed with paths. Scores of squealing children race past him to pet frisky goats and fat sheep in one enclosure. Dozens of deer peer out from another fenced area. Trout swim in concrete pools and channels while thousands of tiny tree seedlings poke green fingers into the bright sunlight at the nursery.

USAID gave about \$100,000 through the fund to support the projects at the park.

"Without that money this park would not exist—the money was like a seed that germinates and permitted the people to organize," said Flores.

U.S. aid helped the community learn how to manage ecotourism. It provided training on first aid, how to treat visitors, and how to seek other donors, such as Motorola, which donated radios, and Mexicana de Aviación, which gave free ads in its airline magazine and free tickets for *ejido* members to study other ecoparks. This *ejido* has become a model for other *ejidos* in Mexico, which are seeking to launch ecotourism businesses in their communities.

Flores flew to Denver, Colo., where the International Association of Mountain Bikes taught him how to build 20 kilometers of safe but challenging bike paths.

From raising 45 cows for milk and meat, Flores shifted to become an expert in ecotourism. And instead of being cemented over by roads and houses, the green hillside of San Nicolas Totolapán provides inspiration and recreation to thousands of Mexicans. ★

## Information Act Opens Mexico Government to Media and Public Scrutiny

A long tradition of keeping government records closed to the public is ending in Mexico, with the help of new state and federal freedom of information laws passed after a Mexican NGO assisted by USAID pushed for the changes.

The Civic Association for Freedom and Information in Mexico, known by its Spanish acronym LIMAC, won the 2004 Support for Journalism in the Americas Award in Washington, D.C., in April 2004 for its work in getting the federal freedom of information law passed in 2002.

"LIMAC is one of the formal groups pushing for transparency in government. It is helping the Mexican government come to a modern idea of access by citizens to information," said Edward Kadunc, USAID/Mexico mission director, who came to Washington to deliver the award.

Ernesto Villaneuva, LIMAC president, called the new freedom of information laws "the most advanced in any Latin American country in terms of online access to government activities."

LIMAC is now helping journalists learn how to use the new access.

With support from USAID, LIMAC worked in several states to open access to government information for the press.

Since the federal freedom of information law was passed in June, 2003, "90 percent of the ministries have put on the web the things required by the law," said Villaneuva.

The award was sponsored by USAID, the Organization of American States (OAS), and its Trust for the Americas.

"LIMAC and its predecessor, Grupo Oaxaca, are a model for organizations throughout the hemisphere of how civil society can impact structural change in government," said the OAS trust in a statement released April 14. ★



Ben Barber, USAID

Pedro Rivera Flores, a member of the cooperative at San Nicolas Totolapán outside Mexico City, which has become an ecological park, checks out pine seedlings that will be used to reforest the mountainside with its original species of trees.

# Agricultural Research Center in Mexico Seeks Second Green Revolution to Feed Growing World

**TEXCOCO, Mexico**—An hour's drive west of Mexico City's congested roads lie lush fields of the center for wheat and corn research where the Green Revolution was born 40 years ago. Wheat and corn sway in emerald-green rows across flat fields watered by overhead sprinkler systems. In greenhouses, thousands of varieties of wheat and corn grow seven feet high under rigidly controlled conditions of moisture, fertilizer, water, and pesticide.

Workers measure the thickness of wheat leaves, record the height of plants grown in drought conditions, and grind up wheat grains to record protein content. They even raise their own insects to place on corn leaves and see if they will repel the bugs.

At this U.S.-funded agricultural research center, Nobel Peace Laureate Norman Borlaug developed high-yielding dwarf-variety wheat in the 1960s, enabling India and other countries to increase wheat production and conquer famine in the Green Revolution.

The International Center for the Improvement of Maize and Wheat, known by its Spanish acronym CIMMYT, continues to breed new varieties of wheat and corn in its ongoing efforts to feed the growing world.

The center is supported with \$5.6 million per year from USAID, the largest donor to its \$35 million annual budget, followed by support from the World Bank, Switzerland, the Rockefeller Foundation, and others. It is one of 15 such centers worldwide in the Consultative Group on International Agricultural Research (see p. 4).

"We hope if what we do here succeeds it can be used freely in developing countries," said CIMMYT official Kelly Cassaday, as she showed visitors through the pristine campus of cement buildings framed by carefully tended eucalyptus and other trees.

Some 40 international experts and their families live on the campus, which also has dormitories for 100 students from around the world.

"I don't like to train people in their own countries where all is stagnant—I like to train them here in Mexico and teach them new technology," said Borlaug May 20 in Washington where he delivered the first USAID George C. Marshall Distinguished Lecture.

Although wheat was first cultivated in the Middle East 9,000 years ago, that region was so unstable in the 1940s that CIMMYT was launched in Mexico. But the miracle wheat Borlaug developed was extensively adopted in Asia, doubling and tripling yields per acre.

In one greenhouse, about a half acre of wheat plants heavy with grain bend over workers measuring stalks. Geneticist Maartin Van Ginkel points out one wheat plant whose leaves are covered in fine hairy shoots. "We think this may discourage bugs," he said.

Other varieties have more protein or resist drought. In one plot, no water has been given since seeds were planted and the varieties that resist drought are much bigger and darker green than other varieties.

Another geneticist, Scott McLean, took visitors inside the sealed hothouse where genetically modified corn is being raised.



Ben Barber, USAID

A worker at the CIMMYT agricultural research center outside Mexico City examines some of the 27,000 varieties of corn kept at minus three degrees Celsius in the world's largest gene bank for corn and wheat seeds.

Critics of genetically engineered corn say it forces farmers to buy from big seed producers instead of sharing seeds among themselves. CIMMYT, however, is working to produce corn varieties tailored to needs of poor farmers that will be made widely available, fitting into traditional or commercial seed systems.

McLean, whose father was in charge of Green Revolution wheat and rice in Pakistan from 1968 to 1972, said, "Science is the easy part—the hard part is getting the government to use the new technology."

Useful new varieties of corn that tolerate drought and poor soils are being field-tested

in Africa, where there an immediate need exists for improved corn yields.

Zero-tilled fields are another CIMMYT research project that Bram Govaerts, 24, a Belgian scientist, shows a visitor. Instead of tearing up fields with plows, opening the earth to erosion, and removing the roots of last year's crops, new seeds are planted in a narrow slit, letting corn grow without disturbing the field surface.

Zero-till systems store millions of tons of carbon as organic matter, increasing fertility and moisture and providing habitat for earthworms and other soil-dwelling organisms. ★

## 190,000 Varieties of Wheat and Corn Seeds Chill as Gene Bank Preserves Food Legacy of Mankind



Ben Barber, USAID

Maartin Van Ginkel examines ripening grain selected from 167,000 varieties of wheat in the CIMMYT research center's gene bank.

**TEXCOCO, Mexico**—The Dutch geneticist Maartin Van Ginkel leads us through the manicured grounds of the CIMMYT campus to a concrete vault two stories high. At the reinforced steel entrance he punches in a code and the door swings open. A second combination is entered into a lock on an inner door and we go inside, where the temperature plummets from the sweltering sunshine outside to minus three degrees Celsius.

Inside we are surrounded by shelves of plastic bottles containing the genetic history of man's cultivation of wheat and corn from around the world.

Some 27,000 varieties of corn and 167,000 varieties of wheat—the largest collection in the world—lie on the shelves here and in the basement below, where the temperature is kept even colder—at minus 18 degrees Celsius.

An emergency generator kicks in to keep the seeds frozen if the power goes out.

Mexican workers are bulked up in blue parkas with the hoods on as they pull seeds from the shelves for testing.

"I just got the catalogue so I can buy new mountaineering ski jackets for the staff," said

Van Ginkel, 52, as he and two visitors shivered in their short-sleeved shirts.

Van Ginkel, head of bread wheat breeding and head of the wheat gene bank, has worked at CIMMYT for 20 years since moving here from Holland.

He has collected seeds from every known corner of the world that grows wheat and corn. Each variety is identified by the location, soil, and climate it came from so that if Van Ginkel wants to find wheat that grows in dry, acid soil or resists certain plant diseases, he can find it.

However, the seeds he collects are only viable for about 50 years. So every year 10,000 varieties of wheat and corn are taken from the gene bank, planted, and new generations of seeds are harvested and stored for the next 50 years.

This gene bank, the world's largest for wheat and corn, is backed up by a gene bank of the U.S. Department of Agriculture in Ft. Collins, Colorado, and seeds are shared with the International Center for Agricultural Research in the Dry Areas, based in Syria. Another backup gene bank is planned for Greenland, presumably one that may not need refrigeration. ★

## AFRICA

## Sierra Leone Refugees Returning Home

**FREETOWN, Sierra Leone**—After a decade of civil war drove one-quarter of the residents of the remote Kailahun district from their homes—destroying schools, hospitals, and services—U.S. aid rebuilt the basic infrastructure and many are returning home.

Resettlement began in April 2002, and to date almost all 38,000 internally displaced people and approximately 27,755 returnees from neighboring Guinea and Liberia have moved back.

From 2001 to 2003, USAID invested about \$3.5 million in the reconstruction and reintegration process in Kailahun.

“From talking to refugees we have learned that physical infrastructure—schools, hospitals, market centers, roads, etc.—is one of the most important factors influencing whether or not they are willing to return to their communities,” said David Atteberry, program officer for USAID/Sierra Leone.

Kailahun, at the opposite end of the West African nation of 5.7 million people from the capital Freetown, was the birthplace of the brutal Revolutionary United Front rebel movement. It was also the last Sierra Leonean district to be disarmed when fighting ended. Reintegration has not been easy.

Some homes were destroyed and others have been claimed by new owners. USAID’s rule-of-law program is helping

sort out ownership issues. It is also training paralegals in constitutional rights to help resolve conflicts in rural areas where courts are few and people are not well informed about their rights.

USAID also sponsors workshops on fighting corruption and understanding inheritance rights.

One USAID-funded project rebuilt the Kailahun Government Hospital, which had been the region’s main health facility. During the war the hospital was looted and partially destroyed. The rebels used it as their headquarters, and later United Nations peacekeeping forces from Pakistan used it as a mosque.

Now refurbished, the structure has a new maternity ward, kitchen, medical store, laboratory, doctors’ and nurses’ quarters, and a water system.

The Pendembu Vocational Technical Secondary School was also rebuilt. The school had about 1,000 students, but closed during the war when rebels used its grounds for training exercises.

“There was complete destruction of the entire facility,” said J.J. Musa, the school principal. And after the war “it was really hard for us to get the parents to come back without having a secondary school facility,” Musa said. “This is the only technical vocational secondary school in the entire area.”



Laura Lartigue, USAID

*Schoolchildren attend the opening ceremony of their new primary school, the Kissi-Bendu Primary School, in Koindu, Kailahun District, Sierra Leone.*

As of early April the school had 410 students.

USAID-funded programs are also creating jobs for residents, especially for excombatants and war-affected youth. One program trains excombatants in carpentry so they can build desks and chairs to furnish the new schools. Former child soldiers are also the target of numerous programs, most of which offer free education and vocational training.

Additional programs recruit volunteer teachers and offer refresher courses for

returning teachers. Other USAID-funded projects help returnees start or expand businesses through access to microcredit. But reconstruction is far from done.

“The recovery process will take many years,” said Atteberry. Future USAID-funded programs in the region include promoting rule of law, strengthening social services infrastructure, income generation, and agriculture, among others. ★ [www.usaid.gov](http://www.usaid.gov) **Keyword:** Sierra Leone

*Laura Lartigue, USAID/Guinea, contributed this article.*

## LATIN AMERICA AND THE CARIBBEAN

## New Cobblestone Roads Link Remote Towns

**LAS PIEDRAS, Paraguay**—The new cobblestone street in this town, created through a U.S.-funded municipal finance program, is one of many new stone streets in the region helping people get their pro-

duce to markets or sick children to hospitals.

Like many towns throughout Latin America, the Las Piedras community in Paraguay’s Ita municipality was isolated

from nearby big towns because of the poor condition of the dirt roads that led to it. Heavy rains made travel to clinics, schools, and jobs nearly impossible. Rundown roads were also bad for farmers and ranchers who need access to markets.

This changed after Ita municipality Mayor Rafael Velázquez joined a USAID-supported municipal finance project promoting transparency and citizen participation in the government in 2002.

The project first helped the municipality improve its tax collection services by introducing new tax collection procedures, an improved property registry system, and improved financial management. Las Piedras alone increased its tax collection by 95 percent to \$22,000 from 2002 to 2003.

Mayor Velázquez then supported the enactment of laws that opened the municipality’s budget and program process to the public. Regular neighborhood workshops were held to discuss municipal matters and community needs with constituents.

During these workshops, residents of Las Piedras identified the construction of a road as a top municipal priority. Cobblestones from the area’s quarries and streams were chosen because they are less expensive than pavement.

Construction of the 3.7-mile road started in early 2003 and is expected to be completed by the end of this year. Some 120

local residents were hired and trained in roadwork.

“Prior to the cobblestone road, we just couldn’t send our products to market,” said Atilio Aquino, a neighborhood committee leader. “Our local produce—strawberries, bricks, and eggs—can now reach the markets in all seasons. All our products can be sent to market quicker and cheaper, and outside products can come into the community easier and less expensive as well.”

USAID invested about \$13,000 in the road effort, while the Ita municipality contributed ten times as much from municipal coffers, including money from property taxes as well as voluntary fees collected from road users.

Paraguay is not alone in constructing cobblestone roads. In Bolivia, where cobblestone streets are common, the dirt roads leading to the remote region of Chapare are also being improved to cobblestone roads. USAID is also funding the construction of cobblestone roads in El Salvador.

“The roads provide a relatively low-cost, reduced-maintenance alternative to current dirt roads in an exercise that promotes democratic practices,” said Assistant Administrator Adolfo Franco.

Las Piedras, in central Paraguay, is home to 5,000 people and is about 23 miles from the closest city, San Lorenzo. ★ [www.usaid.gov](http://www.usaid.gov) **Keyword:** Paraguay



Eduardo Bogado, USAID

*A local bus travels over a new cobblestone road in Las Piedras.*



## ASIA AND THE NEAR EAST

## East Timor Sorts Out Thorny Land Conflicts

**DILI, East Timor**—As this former Indonesian territory recovers from a violent separation from Indonesia that led to independence May 20, 2002, USAID is helping sort out competing land claims.

"You have a relatively small country with indigenous, Portuguese, and Indonesian land tenure systems and some U.N. approaches," said James Thomson, senior technical advisor at ARD Inc., a Burlington, Vt.-based organization that is carrying out one of several USAID projects with East Timor's National Directorate of Land and Property.

"The problem now is to sort out which of those laws should apply and where."

The East Timorese Ministry of Justice commissioned the 14-month project, which ends later this year. The project uses about \$2 million in USAID funding to study East Timor's various regions, chart what rules are used where, and create a glossary of business terms that helps pin down business practices throughout the country. The study results are being used by policymakers to create new land laws.

The project also focuses on training Directorate of Land and Property staff, as well as East Timorese university researchers. The studies employ roughly 60 researchers, many of whom are East Timorese government officials and graduate students focusing on applied research methodologies.

The mix of land tenure laws creates a lot of confusion. For instance, in some regions inheritance laws favor the paternal side while in others they favor the maternal side. East Timor also has a constitution that does not allow foreigners to own land.

"It's a problem if you're an investor and you want to build a factory, a hotel, or a shop but are unclear about whether you can get sufficiently long-term control of land to make the investment worthwhile," Thomson said.

The project is completing five surveys on issues such as the concept of leasing and how rural land disputes are resolved. Study results are delivered to the Ministry of Justice, which then will propose bills to clarify and unify the country's land tenure system.

The most recent survey found that land disputes in rural regions are often resolved in nonformal settings by local administrators, village elders, and religious figures. Thomson said government officials are quite pleased "because it suggests that if they recognize this local-level capacity to resolve disputes, it can save a huge amount of time and money that would otherwise been allocated to the state court system."

The project is proposing a framework for land tenure that allows for a national law that provides for local variations.

The main thrust behind USAID's work is to help the Directorate of Land and



ARD, Inc.  
ARD East Timor Researcher Carlos Alves interviews a Timorese landholder about local practices for the mediation of land disputes.

Property develop a catalog of real estate ownership and a nationwide map of land claims.

Another USAID grant funded a specialist trainer to help technicians at the Land and Property office improve their skills in geographic information systems (GIS). Based

on satellite data and field surveys, the technicians are producing accurate and detailed maps of each of East Timor's 13 districts.

GIS technology provided by USAID is also helping complete East Timor's first census. ★

[www.usaid.gov](http://www.usaid.gov) Keyword: East Timor

## EUROPE AND EURASIA

## Bosnian Governments Tighten Financial Controls

**SARAJEVO, Bosnia-Herzegovina**—When Bosnia's towns juggled funds—using money allocated for utility payments to replace a broken vehicle or to purchase office equipment—it often led to overspending. But a new U.S.-aided financial system is changing things.

Under the old system, the Ministry of Finance would transfer budgets to the individual bank accounts of hundreds of government ministries, towns, cantons, and other spending agents. Once money was

transferred, the recipients controlled spending. Funds were not always used as approved in the budget.

The new system unified financial management, saved more than \$13 million, and allowed taxpayers to see how their money is spent.

USAID's Public Sector Accounting Project helped launch Financial Information Management Systems (FIMS) in Bosnia-Herzegovina to centralize public financial management in the treasuries of the Serb and

Bosniak (Muslim)-Croat entities, as well as at cantonal and municipal levels.

Under the new system, the Ministry of Finance retains control. Government agencies send purchase requests to the treasury, which ensures they are consistent with their budget. Once goods or services are received, the ministry pays the vendor directly. Purchase requests and payments can be made electronically for speed and efficiency.

Direct control has prevented misuse and overspending. The system allows ministries to generate reports showing exactly how public money has been spent.

"Cantons operating under the new system reported positive year-end accounts, while those where implementation is still pending continue to run deficits," said Tuzla Minister of Finance Sead Becirovic.

Implementation of the new system has not been all smooth sailing. Mostar, originally scheduled to be one of the first cantons, instead was one of the last to receive the system. Tensions between ethnic Croats and Bosniaks in Mostar are legendary, with the destruction of the city's 400-year-old "Stari Most" bridge being the most potent symbol.

When it came time to install the financial management system, the city's two communities were not in any mood to cooperate with one another.

"Because of ethnic rivalries, Mostar authorities had difficulty forming a government," recounts Chief of Party Rudy Runko. "They

couldn't agree on how to fill any of the positions below the ministerial level. That left us with no one to train on the FIMS, and the Mostar portion of the project ground to a halt," he said.

Ultimately, Mostar authorities realized they were being left behind and came together to implement the FIMS. Canton Prime Minister Miroslav Coric welcomed the kickoff of the new system, which, he said, was the last step in merging finance ministry operations in Mostar.

The Ministry of Finance in the Croatian and Bosniak half of the country stopped about \$13.5 million in unbudgeted expenditures in the first eight months of operation. The Srpska Republic reported similar results, prompting officials to extend the FIMS to the municipal level.

Mission Director Howard Sumka said the system promotes transparency and prevents corruption. "By centralizing and improving controls over spending, FIMS makes it easier to assign responsibility and hold people accountable if they violate the public trust," he said.

USAID invested more than \$13.8 million in technical assistance, computers, and training. The project is implemented by Deloitte Touche Tohmatsu Emerging Markets. ★

Kasey Vannett, USAID/Bosnia-Herzegovina, contributed this story.



Samir Hadzibajric, USAID

From left to right: Herzegovina-Neretva Canton Prime Minister Miroslav Coric, Finance Minister Semin Boric, and USAID/Bosnia-Herzegovina Mission Director Howard Sumka stand on Mostar's Stari Most bridge, whose reconstruction is nearly complete.

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## Haiti Seeks Aid

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U.S. Marines sent to calm unrest that drove former President Jean-Bertrand Aristide into exile February 29 used their helicopters to deliver aid.

USAID's Office of U.S. Foreign Disaster Assistance (OFDA) has provided \$500,000 to the flood relief effort, including items such as cooking kits, blankets, and plastic sheeting, and funds for emergency road repair and the lease of helicopter.

An estimated 1,700 houses were destroyed by the floods and 25,000 people urgently need food and other relief, OFDA said.

Latortue told USAID's Administrator May 6 that his government lacked resources.

"You hear jokes on the radio about a 'government of technocrats,' and they say we cannot get the garbage out of the streets—it's humiliating," Latortue said.

After Aristide fled into exile, his constitutional successor, Supreme Court President Alexandre Boniface, named Latortue, 69, prime minister.

Latortue spent 25 years in exile during the Duvalier family dictatorship, which ended in 1986, and worked with the U.N. Industrial Development Organization in Africa.

USAID had planned to fund \$52 million of programs this year, but now the total U.S. assistance package has increased to \$160 million. This assistance will be used to create jobs, assist with emergency electricity needs, support badly debilitated government ministries, and strengthen the Haitian National Police and judiciary.

U.S. Ambassador to Haiti James Foley, who was at USAID headquarters with Latortue, said he was "optimistic financial resources will come online but the acute need and risk is now. In June, U.S. Marines will be pulling out and the government in office has no resources in a time of need."

The U.N. Security Council approved 8,000 peacekeepers and police for a nine-month mission beginning on June 1. ★

## Sudan's Darfur Crisis

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"We have got access but it's not 100 percent."

To cope with the deepening crisis in Darfur, U.S. emergency aid teams have airlifted shelter supplies and blankets.

Administrator Andrew S. Natsios was to attend a U.N. donor conference in Geneva starting June 3 to raise relief funds for Darfur.

The Agency's Disaster Assistance Response Team (DART) arrived in Darfur May 27 to measure the need for food, water, medicine, and other aid.

The mounting crisis in Darfur came as Sudan's government signed May 26 in Kenya an agreement ending the 21-year civil war against southern rebels of the Sudan Peoples Liberation Movement led by John Garang.

Administrator Natsios called Garang the night before the signing to persuade him to follow through with the pact ending the conflict. However the Darfur conflict dimmed any atmosphere of celebration.

"There can be no normalization of relations between the United States and Sudan until the crisis in Darfur is dealt with," Natsios said.

Darfur aid distribution remained difficult, as Sudan's government has restricted aid workers' access to the region and was requiring that all medical aid be tested by Sudan authorities, U.N. officials said.

Sudan also was requiring that all aid be distributed by Sudanese governmental or private humanitarian agencies. They are seen as ill-equipped for the massive aid effort, the officials said.

Natsios has said up to 350,000 Sudanese could die in the next nine months unless fighting is halted and humanitarian aid sup-

plies can reach those in need.

"It is essential that the victims of this conflict who have been displaced from their homes have shelter before the rainy season begins in June," said Roger Winter, Assistant Administrator for Democracy, Conflict, and Humanitarian Assistance. "The supplies we have airlifted into Darfur this month should be able to provide shelter for almost a quarter of a million people."

Aside from 1 million displaced within Sudan, more than 120,000 people have fled across the border into Chad.

As of May 25, USAID and the State Department have provided nearly \$95 million in humanitarian assistance for the Darfur crisis, including over 81,000 metric tons of food.

The conflict began 15 months ago, when some of the ethnic African residents of Darfur rebelled against the ethnic Arab-dominated Sudanese government in Khartoum. The government then unleashed Arab militias, the *Janjaweed*, that have plundered and destroyed towns and raped and killed civilians.

"People will not accept assistance, food, or medicine, because the *Janjaweed* will arrive just after we get there and steal the food or shelter materials and then rape the women and kill the men," Natsios said.

He said June rains would make aid delivery difficult. Officials also are pressuring Sudan to enforce a ceasefire that took effect April 11 but has been routinely violated, he said.

One possibility of delivering aid is through Libya, and Natsios said that U.S. officials have been in touch with Libya through U.N. and Belgian government channels. ★

## Malaria

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"Implementation of ACT in Africa is an enormous challenge to pharmaceutical companies, policymakers, and the international health community," said Mary Ettlting, USAID malaria team leader.

"Obtaining supplies of ACT is only a small part of the job. The tough part is distributing the drug to all communities and ensuring that it is used correctly by patients," she said.

USAID has supported safety and efficacy testing of ACT in Africa since 1998. Support increased recently, as the drug was found safe and effective when used by children.

As drug-resistant malaria spread, USAID quadrupled funding to fight the disease: from \$22 million in 1998 to \$83 million in 2004. In the past three years, the U.S. government contributed \$623 million to the Global Fund and is giving up to \$547 million this year.

Malaria kills 1 million people worldwide each year, making it the world's third deadliest infectious disease. An estimated 300 million to 500 million people are ill with malaria annually, while new AIDS and tuberculosis infections attack 5.3 million and 8.8 million respectively, according to the World Health Organization (WHO).

In Africa, malaria is most common in children and pregnant women.

USAID also supports the use of insecticide-treated mosquito nets, which can reduce overall child mortality by as much as 25–30 percent. The Agency also funds the development of a malaria vaccine that is being field tested in Kenya and Mali. ★

## MCA

▲ FROM PAGE 1

The MCC approved a threshold country program to help countries close to eligibility meet MCA requirements.

"This is very significant for USAID, since the Agency is meant to be the principal implementing partner for the [threshold] program" said Michael Farbman, MCA coordinator through the Bureau for Policy and Program Coordination.

The 16 eligible countries, which were judged using World Bank, Freedom House, and other nongovernment sources, will design their own aid programs, apply for project financing, sign three-year "compacts" with the United States and demonstrate progress.

In early June, MCC teams will begin visiting the countries for meetings with host governments, USAID missions, and other donors.

"Because of our presence in most of the MCA countries, USAID will have lots of information and contacts that will be useful and contribute to familiarizing the MCC teams with what they need to know to meet the challenges of negotiating MCA compacts," Farbman said.

"USAID missions will be brokers, information providers, door openers."

Missions in countries that will receive MCA funds are expected to tailor their strategies and programs to complement the goals of the MCC. ★

## April 4, 2004–May 1, 2004

PROMOTED	RETIRED	REASSIGNED
Brunelle Alexandre	Donald W. Boyd Jr.	Karen Lee Anderson NICARAGUA/DI to BOLIVIA/DEM SOT
Donald H. Bisom	Darryl T. Burris	Paul V. Bruning COMP/NE/OJT to EGYPT/EG
Carol Chan	Colomba Chow	Jayne Carbone GUATEMALA/CO to O/S LANG TRNG
Mary F. Dudick	John Julius Cloutier	Norma Helene Carlson PPC/DCO to ANE/IR
Joe S. Duncan	Paule Audrey Minkley	Christian G. Fung CAMBODIA to COMP/LWOP
James H. H. Fleming	Robert Elwood Navin Jr.	Donald Gressett GC/BHR to GC/LP
Steven E. Hendrix	Curtis R. Nissly	Jeffrey J. Grieco LPA/SCP to AA/LPA
Raymond Jennings	Richard L. Owens	Vivian G. Jones GH/HIDN to M/AS/OMS
Ajit V. Joshi	Marx C. Sterne	Michael P. Lessard SEC/PSP to SEC/PIDS
Richard J. Joy	Sherry E. Suggs	Amanda K. Levenson ANE/SPO/B to AFGHANISTAN/EXO
Amy Joy Markel	William F. Sugrue	
Charis M. Nastoff	Tham V. Truong	
Kristin D. Randall		
Katrina R. Riley Sawyer		
Diane L. Travis		
Melita E. Yearwood		
Susan J. Youll		

### MOVED ON

Courtney Brooke Houk  
Fred K. Kirschstein

## 2004 AFSA Student Award Winners

The American Foreign Service Association (AFSA) Scholarship Fund awarded \$23,500 in scholarships in its annual competition recognizing the academic and artistic achievements of high school seniors who are children of foreign service officers.

Three of 22 scholarships awarded May 7 went to children of USAID employees.

Each winner received \$1,500; honorable mentions received \$500. The 55 applicants for Academic Merit awards competed on the basis of their grade-point averages, Scholastic Assessment Test scores, two-page essays, letters of recommendation, extracurricular activities, and special circumstances.

### USAID ACADEMIC MERIT WINNERS—\$1,500



**Eric Lankenau-Ray**, son of Linda Lankenau (USAID, retired) and Thomas Ray (USAID/Kenya), enjoys social science, creative writing, math, and science. He is a scuba diver and plays basketball, tennis, and volleyball. He will attend Brown University in the fall, where he intends to study psychology or international relations. Eric grew up in Kenya, Senegal, the United States, and the Dominican Republic.



**Halley L. Wuertz**, daughter of Robert E. Wuertz (USAID/Philippines) and June Appel, is a senior at International School Manila. Halley is captain of the varsity soccer team and plays varsity softball. She is also the founder of the environmental Club Wild, student council president, a student delegate to The Hague, and a contestant in international art and oratory contests. Halley is headed to Brown University. She has lived and studied in Saudi Arabia, Ghana, and Egypt.

### USAID ACADEMIC MERIT HONORABLE MENTION—\$500



**Matthew Miller**, son of Lloyd Miller (USAID/RIG/Egypt) and Roberta Miller, enjoys international travel, playing soccer, and has a facility with languages. He is also an Eagle Scout, participates in high school robotics competitions, and plays paintball. His favorite academic subjects are physics and Spanish. Matthew is planning to pursue engineering studies at the University of Virginia this fall. He grew up in Latin America and the Middle East.

### IN MEMORIAM

**Rebecca Bridgeman-Ferhat**, 47, died May 3, 2004, in Almaty, Kazakhstan. A former Peace Corps volunteer, her dream of returning to overseas service was fulfilled by her work as a foreign service officer with USAID. Bridgeman-Ferhat had served as deputy controller of the USAID mission for Central Asia since 2003. She also served as team leader on the USAID Working Group on Religion, State and Society. In this group, she drew on her own faith in reaching out to Islamic leaders, building trust, and helping them gain a new understanding of U.S. assistance.

**Bart Kull**, 76, died December 22, 2003, in Sioux Falls, S.D. Formerly a radio and TV news reporter, Kull was elected to the South Dakota House of Representatives and later received a federal appointment under the Reagan administration. Until his retirement in 1989, he served as speechwriter for former USAID Administrator M. Peter McPherson. In retirement, Kull pursued his hobbies of gardening, gourmet cooking, and collecting antiques and stained glass.

**Joseph S. Toner**, 87, retired career foreign service officer, died May 14 in Burke, Va. His last position was USAID/ Bangladesh mission director. Toner also served as mission director in Turkey, Nepal, and Cyprus. In Cyprus, he served during the outbreak of that country's civil war. Toner remained in Cyprus until the mission closed in April 1964. In addition to his

overseas service, he served as director of personnel administration and executive secretary. Prior to the formation of USAID, Toner served in its predecessor agencies: the Development Loan Fund and the Mutual Security Agency. Toner retired from USAID in 1979 after 34 years of government service.

**Edward Morris Vinson**, 87, retired foreign service officer, died peacefully at his home, "Woodwinds," in Atlanta, Ga., May 3, 2004. Vinson began his federal career with USAID in June 1966 when he accepted an executive appointment as special assistant for program management in the Lyndon B. Johnson administration. He was responsible for overview of management of economic development assistance programs and projects in Asia and the Near East. During his career with USAID, he served primarily in India and Pakistan. Vinson retired in 1985.

**Helen Elizabeth Soos**, 56, retired foreign service officer, passed away peacefully May 13, 2004. Her work with USAID took her to Africa, South America, Asia, and Europe. Soos was a charter member of the Agency's chapter of the Women's Action Organization (WAO) and wrote many articles on ways to improve the profile of and opportunities for USAID women in both the civil and foreign service. She also served as director of African affairs at the National Security Council in the late 1980s.

## Abandoned Children and Orphans in Russia Helped by U.S. Aid to Hospitals and NGOs

**MOSCOW**—To cope with more than a million orphaned and abandoned children who live in poorly run state institutions and often end up as alcoholics, criminals, or suicides, USAID has funded the first large-scale NGO program on child abandonment in Russia.

The Assistance to Russian Orphans (ARO) project started in 1999. Now in its second stage, the program has a budget of \$8 million through 2006.

ARO initially focused on finding homes for abandoned children and providing social and psychological help for parents at risk of abandoning their kids. The second stage of the project also works with policymakers to raise awareness of the problem, and includes programs to help abandoned children, parents who are at risk of abandoning, and children leaving orphanages. There is also a special emphasis on the growing problem of HIV/AIDS orphans.

ARO is urging local governments to draft laws that improve institutional home care and provide services for at-risk parents. Last year, for instance, the Magadan Duma (or council) passed the Special Municipal Interdepartmental Program for Child Abuse and Neglect Prevention, which builds on child abandonment prevention models established by ARO.

"At the local level, the ARO program not only helps local governments to take the issues seriously but also to make abandonment prevention a priority in local social policy and municipal investment," said Elena Gurvich, who is the USAID technical advisor.

She added that working with local governments helps hospitals, for example, to

begin addressing child and family welfare.

The project's first stage found homes for thousands of abandoned children; it also offered psychological and financial support to 1,400 children so that their families would keep them.

Families who are poor, have disabled children, or include HIV-positive mothers are more likely to give up their kids to institutional care, and they are the main target group for ARO.

If a child is already in state care, ARO encourages foster care or adoption as alternatives to orphanages and shelters. The project also helps institutions offer education and social services to the children they house.

Graduates of state institutions tend to be unprepared for life outside an orphanage, so ARO provides psychological help and vocational and job training.

ARO also gives grants to local NGOs doing related work. During its first phase, the project gave out 84 such grants in 26 Russian regions. The program forged relationships with 26 governmental and public organizations supplying aid to children and orphans. As a result, 63 administrative departments in various regions incorporated child abandonment into their agendas.

ARO's second phase is using seminars and workshops to raise awareness about the social and psychological causes of child abandonment and ways to prevent it. During 2003, the program supported 36 projects for translating effective child abandonment prevention techniques into new services to children and families. It also sponsored internships, regional seminars, and working trips for the exchange of experience and techniques in child abandonment prevention.

The program operates in some of Russia's poorest regions—Magadan, Tomsk, and Khabarovsk—which have high rates of child abandonment. ARO is expected to expand to central, northwest, and Siberian regions in cities such as Tver, St. Petersburg, Perm, and Irkutsk. ★



Beneficiaries of the Assistance to Russian Orphans (ARO) program.

### THE STATISTICS OF RUSSIA'S ORPHAN PHENOMENON

- There are between 300,000 and 1.5 million neglected children in Russia.
- Russia has the highest number of orphans per 10,000 children in the world.
- 40 percent of orphanage graduates become alcoholics or drug addicts, 40 percent enter a life of crime, 10 percent commit suicide, and only 10 percent survive and live a normal life.
- In 2002–03, 330,000 crimes were committed by teens.

Source: ARO

## Art, Drama, and Discussions Address the Fears of Palestinian Children

**West Bank**—More than 90 percent of Palestinian children do not feel safe at home and believe they and their families are vulnerable to attack, according to a USAID-funded study of the impact of the second intifada or uprising.



A beneficiary of the Community Psychosocial Support Program in West Bank and Gaza.

To cope with this sense of insecurity, the Agency funds programs for expressive play, art, drama, and group discussions, which provide an outlet to express fears and emotions.

The Community Psychosocial Support Program in West Bank and Gaza, said Veerle Coigne, emergency health specialist at USAID's West Bank/Gaza mission, helps Palestinian children cope with the ongoing conflict in their country.

Over 100,000 Palestinian children have gone through the program since it started in May 2001. More than 10,000 parents, teachers, and other caregivers have attended group sessions and training to help them meet children's basic psychosocial support needs.

"Anecdotal information and in-depth studies have shown that the psychosocial wellbeing of Palestinian children is under significant strain, which is not surprising, given the omnipresence of violence in their surroundings," said Coigne.

"As has been documented, there is a pervasive feeling of danger, and children live in

fear for their safety and that of their family."

The USAID-funded study found that almost half the children surveyed had experienced intifada-related violence. The same percentage felt their parents could no longer meet their needs for care and protection.

Meanwhile, nine out of 10 parents reported symptoms of trauma in their children's behavior, such as nightmares, bedwetting, increased aggressiveness, hyperactivity, and decreased attention spans.

Children in Gaza were more affected than children in the West Bank, the study found. City children and those living in refugee camps were more affected than rural children.

The study was carried out by Save the Children-US, Save the Children-Sweden, and the Secretariat for the National Plan of Action for Palestinian Children.

Some 1,266 boys and girls aged 5–17 were chosen from cities, villages, and refugee camps for the study.

The study suggested expanding programs that help to channel a child's positive outlook, such as sports and cultural activities;

support for parents, such as counseling, enhanced access to resources, and training in psychosocial support for children; and support for educators and schools, such as psychosocial counseling for teachers and students and expanded services and hours at schools.

Coigne said when children participate in the Community Psychosocial Support Program, their families "find their children to be happier, more cooperative at home, and more enthusiastic about homework."

"Teachers report that students are more focused after the program, more ready to learn, less aggressive, and less violent overall."

The program has a budget of \$5.2 million. It works with the Palestinian ministries of health and education and the Secretariat for the National Plan of Action for Palestinian Children.

USAID supports psychosocial programs in various conflict-torn regions such as Northern Ireland, Colombia, and African countries that recently went through civil strife. ★



José María Figueres, former President of Costa Rica, tells how the Costa Rican economy improved through sound microeconomic policy.

## Lessons from Costa Rica

JOSÉ MARÍA FIGUERES,  
FORMER PRESIDENT OF COSTA RICA

For successful development, macroeconomic stability is very important. I cannot think of any examples of countries that have been able to grow on a sustained basis without low inflation and cautious budgetary management. But boosting income per capita over long periods of time requires much more: credible efforts to improve the quality of public institutions, reforms to create a friendlier environment for the private sector, concern for issues of equity and distribution, and providing opportunities to enable citizens to actively participate in the life of the nation.

Thus, in Costa Rica, an early focus on macro stability—to address some fiscal fragilities—was quickly followed by policies and action programs in the areas of education, physical infrastructure, foreign direct investment—which we considered to be a central driver of growth—as well as policies aimed at supporting research and scientific and technological development, environmental protection, and the development of tourism.

Only an approach that is comprehensive in nature and that has at its primary motivation a concern for the wellbeing of the entire population can hope to earn the people's trust, so essential if policies are to go beyond the stage of formulation and begin to make a difference in people's daily lives.

We need to move our societies forward along a competitiveness framework for sustainable development. This will involve not only an overall upgrading in our economic performance, but must be complemented by an improvement of indicators of social wellbeing through more sustained investment in human development.

What did the above mean in practice in Costa Rica's case? The following come quickly to mind:

- a constitutional amendment to provide adequate funding to education (6 percent of GNP), enabling the entire population to gain access to a modern educational system that lives up to international standards—a prerequisite to enhance the country's competitiveness
- measures in the area of preventive health and pension reform to strengthen the country's inefficient safety net and safeguard its financial sustainability

▼ SEE COSTA RICA ON B2

# A Good Business Climate: Missing Key to Economic Growth

The failure of efforts to end poverty in Africa, Latin America, the Middle East, and Asia has led the international development community to search for the missing key that has left millions locked out of economic growth in the 1980s and 1990s.

Many experts now say that key lies in the lack of local laws to protect private property; to allow people to start their own businesses; to enter into secure contracts; to use their land and property as capital to raise cash; and then to invest it in seeds, tools, raw materials, or even education.

These are called "microeconomic" factors because they affect the way individuals operate in the larger "macroeconomic" environment.

For two decades, the economists of the World Bank, USAID, other donor nations, and development groups believed that getting the macroeconomic conditions right—such as a floating currency, low interest rates, low tariffs, and balanced budgets—would lead to growth and lift poor countries from poverty.

While many did profit immensely from this "Washington consensus" on sound macroeconomics—Thailand, Malaysia, Chile, and Costa Rica are among the most successful examples—many countries remained mired in poverty.

Some economists compare good macroeconomic policies to a beautiful, clean soccer field. Others say a smooth field doesn't guarantee good play; strong, agile players and a fair referee are needed for that.

They say that for businesses to compete

and grow, workers must be healthy and educated; owners must feel secure in their property rights; and managers need simple, fair government regulations that aid rather than hinder trade.

Structural macroeconomic adjustments, such as allowing currencies to float on the world market and balancing government budgets, are needed, but are not enough to spur economic growth.

Economic crises in Argentina, Bolivia, and other countries showed that macroeconomic reforms alone did not produce stable economic growth.

Development scholar Hernando de Soto of Peru says strong property rights is the missing ingredient in many poor countries. Without title to his land, a farmer cannot borrow against it and invest in more productive technology.

José María Figueres, former president of Costa Rica, says that for a country to be "competitive" globally it must invest in people's health and education.

The World Bank found that high-income countries tend to have strong property rights and creditor rights but simpler and less expensive regulations than poorer countries. Too complex regulations often force people into the "informal" economy, where employees are unregistered and businesses operate without paying taxes.

For its report, *Doing Business in 2004*, the World Bank developed quantitative measures for comparing the speed and cost of starting a business, hiring and firing workers, enforcing contracts, getting credit, and

closing a business in 133 countries. The next report will look at property registration and corporate governance.

*Doing Business* builds on previous work by de Soto as well as the "investor roadmap" that USAID helped develop in the early 1990s. Used in 23 countries, investor roadmaps identified constraints to entering the market and expanding businesses nationally and often uncovered hidden obstacles specific to certain cities and provinces.

By measuring the number of days needed to register a company or settle a contract dispute, the *Doing Business* report makes cross-country comparisons easy.

"*Doing Business in 2004* gives a lot of countries benchmarks to measure themselves against that we didn't previously have in a comprehensive manner and thus should be very useful," said USAID Deputy Assistant Administrator Jay Smith.

Poor scores already have spurred some countries into action, including France, Morocco, Nicaragua, and Argentina, said Simeon Djankov, who led the research for the World Bank.

"What gets measured, gets done," Djankov said.

This special insert highlights lessons learned about the impact of business regulation through empirical research. It draws on USAID work to illustrate the concepts.

Many of the examples come from Eastern Europe, where countries transitioning to a market economy were forced to rethink all aspects of business regulation and enforcement. ★

## NGOs Help Free Farmers, Businesses from Regulations

In order to reform the rules and regulations that block business and stifle economic growth in many countries, USAID funds nongovernmental organizations (NGOs) that work with local companies and communities to spot where policies need to be changed.

In Sri Lanka, for example, a volunteer from International Executive Service Corps advised a coalition of businesses and government agencies how to draft, lobby, and enact laws to protect intellectual property rights—critical before foreign investors will get involved in a country.

In Russia, Financial Services Volunteer Corps volunteers donated time and expertise to show banking officials how mortgage lending works. The BashEkonombank in Ufa used the training to add mortgage lending to its portfolio. Volunteers also advised on internal policies and procedures for mortgage lending and selling mortgages on the secondary market.



Paul Stewart, TechnoServe.

A worker sorts coffee beans in King'ori, one of 11 Tanzanian villages where TechnoServe helped establish central pulperies. These are processing facilities where farmers collectively remove coffee cherry skins, wash, and then dry coffee. The result is a higher quality, more consistent product.

▼ SEE NGOS ON B2

## NGOs Help Free Farmers, Businesses

▲ FROM B1

In Tanzania, where coffee is the major agricultural crop and the number-two export after gold, the private voluntary group TechnoServe has worked since 1998 with about 7,000 coffee producers. But all 400,000 coffee growers eventually benefited from policy reforms TechnoServe's local partners pushed through.

Looking at this program in greater depth reveals how foreign aid programs can help reform microeconomic obstacles to free markets.

Working around Mount Kilimanjaro in the north and in the southern highlands, Tanzania's small coffee farmers grow 95 percent of the country's coffee. Coffee trees are up to 70 years old, and their yields are among the lowest in the world.

The country's coffee exports have fallen steadily since 1995, as world supply has grown and coffee prices have dropped. Tanzania's 100-year-old coffee communities have been struggling to live on the falling incomes.

**The coffee growers' association and the Tanzania Coffee Board, an industry group, recommended lower taxes and simpler licensing and permit requirements to lower costs and make the sector more competitive.**

TechnoServe first started working with small coffee farmers to improve quality and increase yields. The next step was to work with local growers to set up in 2001 the Association of Kilimanjaro Specialty Coffee Growers.

The association not only provides technical assistance, credit, and marketing

services to 4,500 owners of small farms organized into 62 business groups, it also represents its members. Thus far, the association has participated in a coffee tax study and pioneered a new direct export marketing channel made possible by regulatory reform.

Tanzania had the highest taxes on coffee producers and the lowest rate of reinvestment, compared to five similar coffee-producing countries.

The coffee growers' association and the Tanzania Coffee Board, an industry group, recommended lower taxes and simpler licensing and permit requirements to lower costs and make the sector more competitive. With help from TechnoServe, they held workshops to discuss the issue with government officials and build support for change.

Six months later, the finance ministry announced that local and national government taxes would be harmonized and brought down from the combined 21 percent taxation rate.

The association also worked with the Tanzania Coffee Board and others to bypass the national auction and sell directly to specialty buyers. The first direct coffee smallholder grower-to-roaster sale took place in March 2004, when an international roaster purchased 23,280 pounds of washed Arabica coffee beans from five of the Kilimanjaro Specialty Coffee Growers Association's business groups.

The 645 growers involved in that first sale received a 50 percent higher price than other association members at the domestic auction and twice the amount that nonmembers were able to get for their coffee.

"To provide jobs and higher incomes in rural communities, a good business environment is essential for small and medium businesses to thrive," said John Taylor, TechnoServe's interim president and CEO. ★

## Lessons from Costa Rica

▲ FROM B1

■ a break in the traditional election-year expenditure cycle, preempting the need for the next administration to start its tenure in office with an unpopular tax package

■ policies implemented in the areas of the environment and biodiversity, opening opportunities for development in scientific research and ecotourism and boosting foreign direct investment

■ innovative contractual schemes to encourage public-private partnerships—for instance in the context of the modernization of our main international airport

■ improvements in the climate of competition between private and public banks and for electricity pricing as well as

improvements to the efficiency of public procurement and the fight against contraband

Finally, with the attraction of INTEL and the subsequent emergence of a cluster of high tech companies, a new engine of growth for Costa Rica was created.

In the end, the aim of economic and structural reforms is to enable the public to participate in and benefit from the fruits of growth and development. The process is long, the challenges are many, and good political leadership involves offering a vision of transformation that can capture people's imagination. ★

*José María Figueres was president of Costa Rica from 1994 to 1998.*



Ben Barber, USAID

*Costa Rican policies implemented in the areas of the environment and biodiversity opened opportunities for ecotourism and boosted foreign direct investment.*

### STARTING A BUSINESS

## Investor Roadmap Points Way to Reform

In 2000, an entrepreneur wanting to open a business in Romania had to submit 83 pages of documents and obtain 23 or more approvals, authorizations, licenses, and permits from various ministries, agencies, and the town hall. It took more than 100 days and often cost more than \$500.

This labyrinth, which included stops at the ministries of labor, health, agriculture, environment, and the fire brigade, was mapped out with USAID funding by IRIS, the Center for Institutional Reform and the Informal Sector, and was one of the many USAID-funded "investor roadmaps" done by several organizations around the world.

Within a year or two, paperwork was down to 20 pages; ministries could approve simultaneously, instead of one

after the other; and the cost was brought down to \$120–250, depending on business type.

In June 2000, IRIS shared its "red-tape analysis" with local governments, and, together with USAID/Romania and the U.S. Embassy, challenged 80 cities to remove five common municipal obstacles in six months' time.

Twenty-nine cities responded, and, by December 2000, four met the requirements, including eliminating the mayor's personal approval of business registrations and streamlining construction approvals. IRIS gave the cities additional technical assistance and the embassy invited them to a reception for U.S. business leaders.

The winning cities—Giurgiu, Timisoara,

Cluj-Napoca, and Iasi—also were invited to the monthly meetings of the American Chamber of Commerce in Bucharest. Soon a group of mayors and local chambers of commerce began pushing for national change.

In 2001, the national government responded with an improved business registration process that reduced the steps involved as well as paperwork and fees.

USAID began designing and funding investor roadmaps about a decade ago. The roadmap is a tool for spotting costly and unwieldy administrative requirements that burden domestic and foreign-owned businesses and hamper economic growth.

When starting a business means spending months and years applying for permits,

licenses, identification numbers, authorizations, and approvals, scarce investment capital as well as energy and time is wasted without producing anything of value.

Typically, the roadmap traces the path an investor takes from having an idea to putting it into production. The roadmap charts every interaction with government agencies to set up a business. Mapping out the complex steps, using arrows and boxes, shows government officials how their policies and actions hurt business development.

If a government initiates reform, roadmap projects encourage officials to consult with business groups and get their reactions to proposed changes in laws and regulations. ★

# Titling Land Unleashes Credit, de Soto Says



Hernando de Soto.

Hernando de Soto thinks people can escape from poverty if they get legal title to their homes and land, which can then be used to obtain credit, and more than 30 heads of developing countries seem to agree.

"Four billion of the world's 6 billion people are outside the legal economy," said de Soto in a recent *FrontLines* interview in Mexico City.

The "extralegal economy" that de Soto hopes to mine for development ranges from women selling food and handicrafts in street markets to hundreds of millions of peasants

farming land to which they have no legal title.

Not only are these people unable to get credit, home equity loans, or other sources of cash to expand their businesses, but the government can't tax them to raise funds for schools, sanitation, and roads—the building blocks of modern prosperity.

"Developing countries have large black markets or extralegal economies where most citizens live and survive," said de Soto, whose book, *The Mystery of Capital*, has been translated into 25 languages.

"If we can't integrate them [into the legal, formal economy], they can't prosper and live in peace," he said.

De Soto also said that without legal titles and formal addresses to send bills and collect payments, the power, water, and phone companies can't provide service. And government can't collect taxes or even conduct a census to measure needs for schools.

Countries that have asked de Soto's organization, the Institute for Liberty and Democracy (ILD), to help reform property and business laws include Pakistan, Afghanistan, Egypt, Mexico, Guatemala, Honduras, Tanzania, Nigeria, Ghana, Ethiopia, Russia, Kazakhstan, Georgia, the Philippines, Thailand, and Sri Lanka.

Beginning in his native Peru in 1984, de Soto said, a \$17-million USAID investment plus \$38 million from the World Bank created property titles worth \$9.4 billion.

After titling half the homes in urban shantytowns, their values rose an average of 30 percent and, in each house, one more person was able to go to work or school because homeowners no longer feared squatter takeovers, said de Soto.

"The people we titled use home equity mortgages to raise \$200 million to \$300 million a year," he said.

Some 400,000 businesses were brought into the legal sector, creating 600,000 new jobs and bringing the government \$1.5 billion in taxes over three years, he said.

De Soto learned to persuade local authorities and interests to allow property rights titling but entrenched opposition came from bureaucrats and officials—public and private—who needed to be "dragged" into the

new system.

The ILD also helps create new forms of collateral, mortgage systems, and contract laws, as well as new financial instruments to store the value of people's assets, including shares of corporate stock, patent rights, promissory notes, bills of exchange, and bonds.

His move onto the world stage with his titling philosophy came with U.S. support. "We wouldn't exist without USAID," which continues to provide about \$6 million a year to the ILD, he said.

He admits that in Peru success was only in the urban areas and not yet in the countryside. However, in El Salvador "we saw the first real rural success, and now we are ready to do Haiti and Egypt," he said. ★

## ENFORCING CONTRACTS

### Experts Cut Red Tape

Many businesses in developing countries are bogged down in endless court disputes because they have no better way to enforce contracts, resolve disputes, and work out their differences.

**"Specialized commercial courts are associated with faster and cheaper enforcement in wealthier countries. Out-of-court resolution mechanisms are a better short-term solution in countries with only a rudimentary judiciary."**

DOING BUSINESS IN 2004, WORLD BANK

As a result, many businesspeople won't work with people they don't know, never expand their circle beyond their known contacts, and fail to grow into efficient production and service industries.

So development experts are helping countries simplify and improve their contract resolution systems in two different ways: settling disputes outside court through mediation and arbitration and improving the efficiency and openness of court systems.

In Zambia, for example, more than 1,800 employment and 50 business disputes are settled each year through court-ordered mediation and private arbitration set up with U.S. assistance over the past four years.

Before Zambian courts began referring employment disputes to mediation, such cases gathered dust for more than three years until they were heard. With mediation, cases are settled within a month of referral.

The law association and Zambian Bar promoted arbitration, worked with the government to get a law passed, and won industry support to set up the Zambian Center for Dispute Resolution.

Dispute resolution centers have also been set up with U.S. help in Uganda, Senegal, and elsewhere.

The other way to liberate businesses from long court disputes is to create simpler processes within the court system. These tend to be faster and cheaper. They are also more likely to be seen as fair, according to a survey of more than 10,000 businesses in 82 countries reported in the World Bank's *Doing Business in 2004*. Specialized commercial courts are associated with faster and cheaper enforcement in wealthier countries.

Out-of-court resolution mechanisms are a better short-term solution in countries with only a rudimentary judiciary. ★



In November 1990, a member of the Caudevilla Cooperative received registered title from Peru's Minister of Agriculture, Enrique Rossl Link, as rural property registry officials and ILD advisors looked on. The farming cooperative north of Lima was the site of ILD's pilot rural registration program.

## NUMBER OF PROCEDURES TO ENFORCE A CONTRACT

The fewest...		...and the most	
Australia	11	Angola	46
Norway	12	Paraguay	46
United Kingdom	12	Cameroon	46
Zimbabwe	13	Mexico	47
Denmark	14	Sierra Leone	48
Jamaica	14	Chad	50
Switzerland	14	Oman	54
Tanzania	14	Puerto Rico	55
Tunisia	14	Congo, Dem. Rep.	55
Taiwan, China	15	Burundi	62

Source: *Doing Business in 2004*

## Women's Rights Key to Their Business Success

In Kenya and other patriarchal societies, built-in barriers block women from owning and inheriting the property they use or manage. This traditional male dominance forms a microeconomic obstacle to growth.

In Kenya, only 5 percent of women own land, while 80 percent of them work the land. Women contribute 80 percent of all farm labor but hand the income over to fathers, husbands, and brothers who own the land.

Without titles, women cannot grow their business or buy, sell, and mortgage the land they till.

Kenya's Draft Constitution, completed by the National Constitutional Conference in April 2004, includes greater rights for women. Work on the new constitution began in earnest following the election of President Mwai Kibaki in December 2002.

The Center for Gender and Development, an NGO funded by USAID's Office of Women in Development, got women's views on property and inheritance rights, recommended changes to the Constitutional Review Commission, and encouraged women to participate in the commission process.

Another commission reviewing land law adopted several of the center's recommendations, including that at least one-third of land board members should be women.

Since customary or traditional law predominates in rural areas, amending the country's laws will not be enough, said USAID/Kenya's Sheila Karani. Rural women are often subject to customary law, mainly because they are married under it. They tend not to know what the official laws say, nor can they afford legal counsel, she said.

**"Women and men have an equal right to inherit, have access to and manage property."**

DRAFT CONSTITUTION OF KENYA 2004, CHAPTER 6, BILL OF RIGHTS, SEC 37(2).

For instance, when the in-laws of a Kenyan widow grab land and property from her, she may not be aware of her rights or lack legal counsel. The problem is acute, given the country's high HIV/AIDS infection rate, which is killing many working adults.

The Education Center for Women in Democracy, another Agency-funded NGO, employs 30 paralegals who counsel women on their legal rights. The center also has developed a radio program to inform isolated communities about women's legal rights. ★

### CLOSING A BUSINESS

## Bankruptcy Cheaper, Faster in Rich Countries

When a business can't pay its bills and undergoes bankruptcy, it can be restructured, sold as an ongoing concern, or have its assets liquidated to pay off debts.

In many countries, though, a business can languish for many years without clear resolution for owners, workers, or creditors. When bankruptcy procedures aren't used or drag on, insolvent companies hurt the local economy.

In Serbia and Montenegro, bankruptcy cases typically last seven years. In neighboring Bosnia-Herzegovina, where modern laws were recently adopted, the process is faster. But one problem in both former socialist countries is a general unfamiliarity with secured lending and bankruptcy procedures.

In Bosnia-Herzegovina, USAID hired development contractor Chemonics to develop courses, manuals, and handbooks on how to implement the country's new collateral and bankruptcy laws. Training on basic corporate finance and bankruptcy procedures will be offered to judges, lawyers, and trustees who are appointed by the courts to oversee insolvent businesses.

Countries that give creditors top priority are most likely to save viable businesses and liquidate bad ones, according to the

World Bank's *Doing Business in 2004*. In systems where creditors know they won't be repaid if a business files for bankruptcy, the temptation is to block debtors from declaring bankruptcy, although it might offer the best hope for the business surviving in some form. And lenders who don't get repaid hesitate to take risks such as lending to new businesses.

**"Developed countries have more efficient bankruptcy procedures, especially in their duration. All 10 of the jurisdictions with the fastest procedures are high-income countries."**

DOING BUSINESS IN 2004, WORLD BANK

To address the problems in Serbia, USAID's mission recently announced a three-year, \$12.8 million project to strengthen commercial courts as well as a \$3.5 million award to the National Center of State Courts to help improve case management and court administration. ★

### GETTING CREDIT

## Bulgaria's Stored Grain Is Credit Base for Loans

Bulgaria's banks are lending farmers money against stored grain under a USAID program that helped introduce a grain warehouse receipts system aimed at helping farmers obtain loans for their business needs.

The first step was to teach public warehouse operators how to maintain warehouses and grade wheat, barley, corn, and sunflower against strict, international standards. Well-run warehouses protect farmers from high postharvest losses and enable them to time the sale of their grain.

Working with the government, the World Bank, financial institutions, and industry, ACDI/VOCA, a USAID-funded NGO, helped draft legislation and licensing procedures to turn stored grain into bankable property. The National Grain Service was established to inspect the licensed warehouses and confirm that they grade and store grain correctly.

ACDI/VOCA and the Bulgarian grain industry won government support and convinced bankers to use grain as collateral.

More than 47 warehouses are now licensed to issue receipts for 470,000 metric tons of grain they store. The receipts specify the quantity and quality of grain each farmer deposited at the warehouse.



Volunteer Gordon Schmidt, left, from Henderson, Nebraska, and client Todor Toporov, work on a grain storage bin auger in Toporov's shop in Silistra, Bulgaria.

The European Bank for Reconstruction and Development helped fund a guarantee or "indemnity" fund to protect bankers if, for any reason, grain claimed as collateral in case of default was not of the quality and quantity specified in a warehouse receipt.

Guarantee fund managers, bank loan officers, and warehouse inspectors got special training. ACDI/VOCA volunteers such as retired banker Frank Ziegler of

Minnesota worked closely with bankers, showing them how to adapt their banking policies and procedures to use this new type of collateral.

Most important was the psychological aspect. Volunteers such as grain industry consultant Si Matthies and Texas grain-elevator operator Don Graham convinced their Bulgarian colleagues that a grain receipts system could work.

Since 1999, about \$20 million in credit has been extended against grain warehouse receipts in Bulgaria without defaults on loans issued against warehouse receipts.

**"It takes a week for a creditor to seize and sell collateral in Germany, Ireland, Tunisia, and the United States. But it can take five years in Bosnia and Herzegovina, Brazil, and Chile."**

DOING BUSINESS IN 2004, WORLD BANK

Strong creditor rights and more information sharing—principles followed by the Bulgarian reformers—are associated with lower default rates, according to studies cited in the World Bank's *Doing Business in 2004*.

ACDI/VOCA has helped introduce grain warehouse receipts or similar systems in Hungary, Poland, Croatia, Kazakhstan, Macedonia, Romania, Russia, and Serbia. It is currently working on similar projects in Ukraine, Ethiopia, and Kenya. ★