

Transition Initiatives

\$ thousands			
	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
Africa			
Ethiopia	--	--	25,000
Sudan	--	--	70,000
Subtotal Africa	--	--	95,000
Asia/Near East			
Afghanistan	--	--	150,000
Subtotal Asia/Near East	--	--	150,000
Latin America/Caribbean			
Haiti	--	--	30,000
Subtotal Latin America/Caribbean	--	--	30,000
Office of Transition Initiatives	54,676	48,608	50,000
Total	54,676	48,608	325,000

Note: The FY 2006 request includes funding that was formerly in Development Assistance. The comparable FY 2004 actual levels are: Ethiopia (\$18.4 million), Sudan (\$50.3 million), Afghanistan (\$148.8 million), and Haiti (\$8.9 million). The comparable FY 2005 estimates are Ethiopia (\$30.5 million), Sudan (\$70.0 million), Afghanistan (\$165.8 million), and Haiti (\$25.0 million).

The Transition Initiatives (TI) account provides support to countries that are confronting crisis or are in transition from crisis to transformational development. Traditional forms of humanitarian aid and development assistance are not well suited to these periods. This account provides a mechanism that retains the responsiveness and flexibility of humanitarian aid, but with a focus on addressing the causes of crisis, advancing democratic governance, and managing conflict within environments that are often highly charged and fluid.

The FY 2006 request proposes to expand the TI account to fund programs that address elements of fragility in four key states that are strategically important to the United States: Afghanistan, Ethiopia, Haiti and Sudan. This request is in addition to the request for TI to support programs administered by the Office of Transition Initiatives (OTI). USAID's request to expand the TI account will involve a shift in resources budgeted in previous years under the Development Assistance (DA) account for these four states to the TI account in FY 2006. USAID proposes this shift as an initial step toward implementing the Agency's vision of more clearly aligning its operational goals, resources and results with the development context in which it operates.

Many countries where USAID works confront or are vulnerable to crisis, which can take different forms: conflict and insecurity, governance and economic crisis, or famine. Moreover, local conditions can change quickly, requiring USAID to adapt quickly to both challenges and opportunities as they emerge. Given these distinct realities, USAID's goals in these settings need to differ from those in more stable transformational development states. These goals include enhancing stability and security, advancing opportunities for reform when they arise, developing capacity of essential institutions and infrastructure, and hastening programming response to crisis. Successful implementation of these initiatives will also require greater resource responsiveness and flexibility to better position USAID to adapt its programs to often rapidly changing local conditions.

Rather than create a new account, USAID determined that the expansion of the existing TI account would accomplish the goal of more rapid, flexible response in these settings. Expanded TI will allow for greater

program focus on the sources of crisis, high-impact and visible results, and rapid response, particularly as requirements for on-the-ground impact change. Expanded TI will also better position USAID to support a range of political, economic, social and security initiatives aimed at the conditions that make countries vulnerable to crisis. This may include building the capacity of governance institutions, promoting economic growth and effective management of natural resources, improving the provision of key social services, such as education and supporting civil society actors in reform initiatives. This support may also include advancing peace-building, transitional governance and reconstruction initiatives.

Afghanistan, Sudan, Haiti and Ethiopia represent four states that are currently recovering from or vulnerable to crisis and require programs oriented to advancing lasting recovery and that can be redirected quickly in the face of new challenges and emerging opportunities which are unique to each country. This requires flexibility that is not readily available within the DA account, which is used to fund long term investments appropriate for transformational development. Using TI account funds in these states will enable USAID to better direct and quickly redirect programs to address elements of fragility in these four states that are strategically important to the U.S., thereby increasing the effectiveness of the assistance provided. USAID therefore believes that TI resources are more appropriate than DA resources for these countries. In addition to TI funds, these states also may receive funds from one or more of the following accounts: Child Survival and Health, the Economic Support Fund, and International Disaster and Famine Assistance.

The primary objective for the use of TI resources in Afghanistan, Ethiopia, Sudan and Haiti is to enhance stability and security, advance opportunities for reform, and develop capacity of essential institutions and infrastructure. USAID plans the following programs in FY 2006, to be managed by USAID missions:

- *Afghanistan (\$150 million):* Afghanistan is entering its third year since the fall of the Taliban and the end of 23 years of civil war. The most important development in the post-Taliban era occurred this past October with the completion of highly successful Presidential elections. Despite remarkable progress in a short time, much work remains to rebuild the country's social fabric and infrastructure and chart a successful transition to democratic self-rule. Transition Initiatives funds, comprising twenty-four percent of the total request for Afghanistan, will provide the necessary resource flexibility and programmatic integration to support Afghanistan's economic and political transition. TI resources will be used in combination with resources from other accounts in FY 2006 to:
 - support economic growth by expanding rural incomes, improving access to economic and social infrastructure, and assisting with economic policy and regulation reforms;
 - improve access to basic education;
 - provide alternative livelihoods options to poppy cultivation through small business development, public works and infrastructure support, production of competitive agricultural products, and greater public access to credit and financing institutions; and
 - strengthen public and private institutions necessary for democratic governance through enhancing capacity within the justice sector, supporting decentralization and local government, and strengthening civil society.

Transition Initiatives funds are a particularly important resource for USAID in Afghanistan, where political and economic conditions remain fluid. The flexible nature of the TI account ensures that USAID can quickly adjust aspects of the program such as geographic focus, implementation tactics, or the amount of funding for a particular sub-sector if country conditions change significantly or new needs arise that are critical to ensuring stability.

- *Ethiopia (\$25 million):* During the last 30 years, the cycle of famine in Ethiopia has repeated itself again and again. Each time, the number of hungry and destitute rises, along with the toll of human suffering and disease. If current trends continue, by 2010 food deficits will nearly triple and the number of malnourished children will increase by 10 percent. Ethiopia was a focus of the G8's initiative to end famine and increase agricultural productivity and rural development under U.S. leadership in 2004, and this work is expected to continue through 2006. The U.S. plans to fund the productive safety net in Ethiopia through 2006, and coordinated efforts will also continue on initiatives to increase agricultural productivity and promote broad-based rural development and economic growth. USAID has developed

and is implementing a strategy to manage the transition from a program too often dominated by emergency response to one which proactively builds capacity to prevent famine and also promotes economic growth, especially in the agricultural sector. The goal of this strategy is increased capacity of government, the private sector, nongovernmental organizations, communities and households to generate market-led growth and to build a foundation for permanently reducing famine vulnerability, hunger and poverty.

Transition Initiatives resources are essential for the implementation of USAID's strategy in Ethiopia. Traditional development assistance is much less effective in a country like Ethiopia, where recurrent shocks have weakened the economy, where high risk drives out investment and stifles entrepreneurship, and where aid dependence saps government initiative. Transition Initiatives provides a more flexible resource that can be adjusted to changing conditions and can facilitate a transition from relief to development. USAID requests TI resources to:

- rebuild and protect assets of the "chronically food-insecure" (i.e., those who no longer can produce or earn enough to survive) so that they do not need annual emergency food delivery and can participate in and contribute to rural economic growth;
 - enable markets and private investment to generate economic opportunities and increase productivity in both the agriculture and non-agricultural sectors;
 - facilitate good governance at national, regional, and district levels;
 - invest in peoples' education so that they are better able to manage difficult times and to succeed when opportunities are available; and
 - improve both emergency prediction and response.
- *Sudan (\$70 million):* The Government of Sudan (GOS) and the Sudan People's Liberation Movement (SPLM) have signed a comprehensive peace agreement, after more than two years of negotiations. The agreement provides an end to the civil war, including fundamental changes in governance through power-sharing, wealth-sharing, security arrangements, and a formal ceasefire. It is hoped that these changes will provide a framework for resolving conflicts in other unstable areas of Sudan, most notably Darfur and Eastern Sudan.

The war has been the central focus of political life throughout Sudan for more than 20 years. It has caused the loss of 2 million lives and left more than 4 million displaced. Destruction and neglect have resulted in essentially no physical infrastructure and institutional capacity in southern Sudan. Low agricultural production and inaccessible markets are additional legacies from more than two decades of conflict and development neglect. The per capita gross national income in southern Sudan is estimated to be less than \$90 per year, with 90% of the population earning less than a dollar a day.

USAID will respond to the great challenges and many opportunities in assisting the South Sudanese in their transition from conflict to peace. USAID's goal is to establish a foundation for a just and durable peace with broad-based participation of the Sudanese people. Transition Initiatives funds in FY 2006 are requested to lay the foundation for long-term recovery and to help the country move from crisis towards economic and political stability. More specifically, USAID requests TI resources to:

- expand support to the peace processes through training, technical assistance, workshops and sub-grants to local organizations;
- support more responsive and participatory governance by strengthening democratic governance institutions and political parties, improving the justice sector, promoting free and fair elections, supporting local government and decentralization, and strengthening civil society;
- improve equitable access to quality education in southern Sudan; and
- establish a foundation for economic recovery in southern Sudan by creating and strengthening existing market support infrastructure and institutions, supporting the Bank of Southern Sudan, increasing access to microfinance, providing business and agriculture training, and improving economic policy and governance.

All program activities and expected results are based on the assumption that the peace agreement will be implemented. Given the fragility of the political situation, however, there remains a strong possibility of continued instability, particularly in some areas. To allow rapid response to new information and changes in the situation on the ground, USAID's programs in Sudan are scenario-based and flexible. TI resources are key to maximizing the effectiveness of scenario-based programming and the use of U.S. government resources.

- *Haiti (\$30 million):* Profound degradation of Haiti's social, economic, and political conditions exacerbated by flawed elections in 2000, culminated in widespread instability and the departure of President Aristide in February 2004. Confronted with extensive damage to state infrastructure and the disruption of essential services, the newly-formed Interim Government of the poorest country in the Western Hemisphere inherited an economy in a state of collapse. The political upheavals of the past two decades have resulted in serious damage to the fragile socioeconomic base. Although the Interim Government has shown a strong will for reform, progress is hampered by limited capacity, weak public institutions, and a tradition of corruption.

USAID's program in Haiti is focused on restoring and sustaining a climate of peace and security, revitalizing Haiti's tattered economy, and improving conditions for democratic processes to take place, including fair and free elections. Transition Initiatives resources are requested in FY 2006 to ensure that USAID can respond more rapidly to changing conditions, so characteristic of Haiti. In FY 2006, if conditions do not change, TI resources are planned to:

- improve the quality of primary education, strengthen public-private partnership in education governance, and improve educational services to out-of-school youth;
- support economic growth by increasing the productivity and incomes of small agricultural producers, reducing the ongoing degradation of Haiti's natural resources base, and broadening the availability of credit and financial services to artisans, small entrepreneurs, and to the larger productive sector; and
- promote democracy and empower elements of Haitian society by strengthening the independent media, supporting human rights organizations, improving public institutions, providing grassroots training and community self-help initiatives.

As noted above, the FY 2006 request will continue to support programs administered by OTI that provide short-term assistance targeted at key transition needs. OTI activities will be coordinated with USAID Missions to ensure maximum efficiency and impact of all TI funds. OTI will revise its goals, objectives and/or FY2006 funded activities whenever needed to address rapidly changing conditions and U.S. foreign policy priorities.